

FISCAL YEAR 1983 SECURITY ASSISTANCE

HEARINGS BEFORE THE COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2227

A BILL TO AMEND THE FOREIGN ASSISTANCE ACT OF 1961
AND THE ARMS EXPORT CONTROL ACT TO AUTHORIZE ADDI-
TIONAL SECURITY AND DEVELOPMENT ASSISTANCE PRO-
GRAMS FOR FISCAL YEARS 1983 AND 1984, AND FOR OTHER
PURPOSES

APRIL 14, 15, 16, AND 26, 1982

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FISCAL YEAR 1983 SECURITY ASSISTANCE

WEDNESDAY, APRIL 14, 1982

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10:13 a.m., in room 4221, Dirksen Senate Office Building, Hon. Charles H. Percy (chairman of the committee) presiding.

Present: Senators Percy, Helms, Hayakawa, Fressler, and Peil.

The CHAIRMAN. We apologize very much to you for the delay this morning, but we have had a number of new schedules to work out with your Department, Mr. Buckley, on other events that have been breaking fast, and we hopefully have worked those out.

The Senate Foreign Relations Committee this morning meets to hear from administration witnesses on S. 2227, the fiscal year 1983 foreign aid authorization request. This is the first of several sessions in which the request will be reviewed. The committee has tentatively scheduled its markup of this bill for May 3, and I hope all members and staff members will mark their calendar for that date.

[Text of S. 2227 follows:]

(1)

97TH CONGRESS
2D SESSION

S. 2227

To amend the Foreign Assistance Act of 1961 and the Arms Export Control Act to authorize additional security and development assistance programs for fiscal years 1983 and 1984, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 17 (legislative day, FEBRUARY 22), 1982

Mr. PERCY (by request) introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

A BILL

To amend the Foreign Assistance Act of 1961 and the Arms Export Control Act to authorize additional security and development assistance programs for fiscal years 1983 and 1984, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

SHORT TITLE

SECTION 1. This Act may be cited as the "International
Security and Development Cooperation Act of 1982".

1 TITLE I—MILITARY SALES AND RELATED PRO-
2 GRAMS FOREIGN MILITARY SALES CREDITS
3 AUTHORIZATION AND AGGREGATE CEIL-
4 INGS

5 SEC. 101. (a) Section 31(a) of the Arms Export Control
6 Act is amended by striking out "\$800,000,000" the second
7 time it appears and inserting in lieu thereof
8 "\$1,739,000,000".

9 (b) Section 31(b)(1) of such Act is amended by striking
10 out "\$800,000,000" the second time it appears and inserting
11 in lieu thereof "\$1,739,000,000".

12 (c) Section 31(b)(2) of such Act is amended by striking
13 out "\$3,269,525,000" the second time it appears and insert-
14 ing in lieu thereof "\$3,928,800,000".

15 (d) Section 31(b)(3) of such Act is amended by striking
16 out "\$1,400,000,000" the second time it appears and insert-
17 ing in lieu thereof "\$1,700,000,000" and by striking out all
18 that follows "Israel," and inserting in lieu thereof "of which
19 not less than \$550,000,000 for fiscal year 1982 and not less
20 than \$500,000,000 for fiscal year 1983 shall be available as
21 credits under section 23 of this Act."

22 (e) Section 31(b)(4) of such Act is amended by striking
23 out "and not less than \$280,000,000 for the fiscal year
24 1983".

1 (f) Effective as of October 1, 1982, paragraphs (6) and
2 (7) of section 31(b) of such Act are repealed, and section
3 31(b) is amended by the addition of a new paragraph (6) as
4 follows:

5 "Of the total amounts of credits (or participations in
6 credits) extended under section 23 of this Act for the fiscal
7 year 1983, Egypt and Sudan shall be released from their
8 contractual liabilities to repay the United States Government
9 with respect to such credits and participations in credits in
10 amounts up to \$400,000,000 for Egypt and \$50,000,000 for
11 Sudan."

12 (g) Section 31(c) of such Act is amended by striking out
13 "each such year" and inserting in lieu thereof "fiscal year
14 1982, and \$500,000,000 of such liability for fiscal year
15 1983".

16 ADMINISTRATIVE SURCHARGE

17 SEC. 102. Paragraph (1)(A) of section 21(e) of the Arms
18 Export Control Act is amended by inserting immediately
19 after "costs" the phrase "(which would not otherwise be in-
20 curred by the United States Government)".

21 CHARGES FOR ADMINISTRATIVE SERVICES

22 SEC. 103. Section 43(b) of the Arms Export Control
23 Act is amended by inserting "and extraordinary" immediate-
24 ly after "recovery of administrative".

1 (f) Effective as of October 1, 1982, paragraphs (6) and
2 (7) of section 31(b) of such Act are repealed, and section
3 31(b) is amended by the addition of a new paragraph (6) as
4 follows:

5 "Of the total amounts of credits (or participations in
6 credits) extended under section 23 of this Act for the fiscal
7 year 1983, Egypt and Sudan shall be released from their
8 contractual liabilities to repay the United States Government
9 with respect to such credits and participations in credits in
10 amounts up to \$400,000,000 for Egypt and \$50,000,000 for
11 Sudan."

12 (g) Section 31(c) of such Act is amended by striking out
13 "each such year" and inserting in lieu thereof "fiscal year
14 1982, and \$500,000,000 of such liability for fiscal year
15 1983".

16 ADMINISTRATIVE SURCHARGE

17 SEC. 102. Paragraph (1)(A) of section 21(e) of the Arms
18 Export Control Act is amended by inserting immediately
19 after "costs" the phrase "(which would not otherwise be in-
20 curred by the United States Government)".

21 CHARGES FOR ADMINISTRATIVE SERVICES

22 SEC. 103. Section 43(b) of the Arms Export Control
23 Act is amended by inserting "and extraordinary" immediate-
24 ly after "recovery of administrative".

1 The amount of reimbursement received from such sales shall
2 be credited to the current applicable appropriation, fund, or
3 account of the selling agency of the United States Govern-
4 ment.

5 (b) For the purposes of this section, defense articles as
6 defined in the Arms Export Control Act may be sold, or pro-
7 cured and sold, pursuant to subsection (a) of this section only
8 if (1) the end item to which the defense article applies is to be
9 procured for the armed forces of a friendly foreign country or
10 international organization, (2) the defense article would be
11 supplied to the prime contractor as government furnished
12 equipment or materials if the end item were being procured
13 for the use of the United States Armed Forces, and (3) the
14 defense article is available only from United States Govern-
15 ment sources or is not available to the prime contractor di-
16 rectly from United States commercial sources at such times
17 as may be required to meet the prime contractor's delivery
18 schedule.

19

GRANT TRAINING

20 SEC. 106. Section 542 of the Foreign Assistance Act of
21 1961 is amended by striking out "\$42,000,000" the second
22 time it appears and inserting in lieu thereof "\$53,700,000".

1 INTERNATIONAL NARCOTICS PROGRAM AND INTERNATION-
 2 AL MILITARY EDUCATION AND TRAINING NOTIFICA-
 3 TIONS

4 SEC. 107. Section 634A of the Foreign Assistance Act
 5 of 1961 is amended by adding at the end thereof: "This noti-
 6 fication requirement shall not apply to any such reprogram-
 7 ing of funds for use under the authority of chapter 8 of part I
 8 and chapter 5 of part II which is less than \$50,000."

9 PROHIBITIONS AGAINST ASSISTANCE TO THE PEOPLE'S
 10 REPUBLIC OF CHINA

11 SEC. 108. (a) Section 620(f) of the Foreign Assistance
 12 Act of 1961 is amended—

13 (1) by striking the period at the end of the first
 14 sentence of the subsection and adding at the end of
 15 that sentence "listed in this subsection.";

16 (2) by striking in the third sentence of that sub-
 17 section the words ", but not be limited to,"; and

18 (3) by striking from the list of countries set forth
 19 in that subsection the words "People's Republic of
 20 China" and "Tibet".

21 (b) The Agricultural Trade Development and Assistance
 22 Act of 1954 is amended by adding a new section 414 to read
 23 as follows:

24 "SEC. 414. Notwithstanding any other provision of this
 25 Act, the People's Republic of China shall be considered to be

1 a friendly country eligible to enter into sales agreements
2 under title I of this Act and to receive assistance under title
3 II of this Act.”.

4 PEACEKEEPING OPERATIONS AUTHORIZATION

5 SEC. 109. Section 552(a) of the Foreign Assistance Act
6 of 1961 is amended by striking out “\$19,000,000” the
7 second time it appears and inserting in lieu thereof
8 “\$43,474,000”.

9 PEACEKEEPING OPERATIONS EMERGENCIES

10 SEC. 110. (a) Section 552 of the Foreign Assistance Act
11 of 1961 is amended—

12 (1) by inserting in subsection (c) the number “(1)”
13 immediately after “the President may”;

14 (2) by inserting in subsection (c) immediately after
15 “\$15,000,000” the words “or (2) in the event the
16 President determines that unforeseen circumstances
17 exist which require the immediate provision of assist-
18 ance under this chapter, he may direct the drawdown
19 of commodities and services from the inventory and re-
20 sources of any agency of the United States Govern-
21 ment of an aggregate value not to exceed \$10,000,000
22 in any fiscal year”; and

23 (3) by inserting at the end thereof the following
24 subsection:

1 “(d) There are authorized to be appropriated to the
2 President such sums as may be necessary to reimburse the
3 applicable appropriation, fund, or account for commodities
4 and services provided under subsection (c)(2) of this section.”.

5 (b) Section 652 of such Act is amended by inserting “,
6 552(c)(2),” immediately after “under section 506(a)”.

7 TITLE II—ANTI-TERRORISM ASSISTANCE

8 SEC. 201. (a) Part II of the Foreign Assistance Act of
9 1961 is amended by adding the following new chapter at the
10 end thereof:

11 “CHAPTER 8—ANTI-TERRORISM ASSISTANCE

12 “SEC. 571. GENERAL AUTHORITY.—(a) The President
13 is authorized to furnish, on such terms and conditions as the
14 President may determine, assistance to foreign countries in
15 order to enhance the ability of their law enforcement person-
16 nel to deter terrorists and terrorist groups from engaging in
17 international terrorist acts such as bombing, kidnaping, assas-
18 sination, hostage taking, and hijacking. Such assistance may
19 include training services and the provision of equipment and
20 other commodities related to bomb detection and disposal,
21 management of hostage situations, physical security, and
22 other matters relating to the detection, deterrence, and pre-
23 vention of acts of terrorism, the resolution of terrorist inci-
24 dents, and the apprehension of those involved in such acts.

1 “(b) Notwithstanding section 660 of this Act, services
2 and commodities may be granted for the purposes of this
3 chapter to eligible foreign countries, subject to reimburse-
4 ment of the value thereof (as defined in section 644(m)) pur-
5 suant to section 632 of this Act from funds available to carry
6 out this chapter.

7 “(c) Whenever the President determines it to be consist-
8 ent with and in furtherance of the purposes of this chapter,
9 and on such terms and conditions consistent with this Act as
10 he may determine, any agency of the United States Govern-
11 ment is authorized to furnish services and commodities, with-
12 out charge to funds available to carry out this chapter, to an
13 eligible foreign country, subject to payment in advance of the
14 value thereof (as defined in section 644(m)) in United States
15 dollars by the foreign country. Credits and the proceeds of
16 guaranteed loans made available to such countries pursuant
17 to the Arms Export Control Act may be used for such pay-
18 ments. Collections under this chapter shall be credited to the
19 currently applicable appropriation, account, or fund of the
20 agency providing such assistance and shall be available for
21 the purposes for which such appropriation, account or fund is
22 authorized to be used.

23 “SEC. 572. APPROPRIATIONS.—There is authorized to
24 be appropriated to the President to carry out this chapter
25 \$5,000,000 for the fiscal year 1983.

1 “SEC. 573. PURPOSES.—(a) Activities conducted under
2 this chapter shall be designed—

3 “(1) to enhance the law enforcement anti-terror-
4 ism skills of friendly countries by providing training
5 and equipment to deter and counter terrorism; and

6 “(2) to strengthen our bilateral ties with friendly
7 governments by offering concrete assistance in this
8 area of great mutual concern.

9 “(b) This chapter does not apply to information ex-
10 change activities conducted by agencies of the United States
11 Government under other authority for such purposes.

12 “SEC. 574. ADMINISTRATIVE AUTHORITIES.—Except
13 where expressly provided to the contrary, any reference in
14 any law to part I of this Act shall be deemed to include
15 reference to this chapter and any reference in any law to part
16 II of this Act shall be deemed to exclude reference to this
17 chapter.”.

18 (b) Section 502B(d)(2)(A) of the Foreign Assistance Act
19 of 1961 is amended by inserting the phrase “or chapter 8
20 (anti-terrorism assistance)” after the phrase “chapter 6
21 (peacekeeping operations)”.

22 (c) Section 644(m)(5) of the Foreign Assistance Act of
23 1961 is amended by inserting the phrase “or services pro-
24 vided under chapter 8 of part II of this Act” after the phrase
25 “military education and training”.

1 TITLE III—ECONOMIC SUPPORT FUND

2 AUTHORIZATION OF APPROPRIATIONS

3 SEC. 301. Section 531(b) of the Foreign Assistance Act
4 of 1961 is amended by striking out "\$2,723,500,000" and in-
5 serting in lieu thereof "\$2,886,000,000".

6 PROVISIONS RELATING TO THE USE OF FUNDS

7 SEC. 302. (a) Section 532(a)(1) of the Foreign Assist-
8 ance Act of 1961 is amended by striking out "and for the
9 fiscal year 1983" and by striking out "and for each such
10 year" wherever it appears.

11 (b) Section 532(a)(2) of such Act is amended by striking
12 out "years 1982 and 1983" and inserting in lieu thereof
13 "year 1982".

14 (c) Section 532(a)(5) of such Act is amended by striking
15 out "and for the fiscal year 1983," and "for each such year".

16 (d) Section 532(b)(1) and section 532(b)(2) of such Act
17 are each amended by striking out "and for the fiscal year
18 1983" and "for each such year".

19 (e) Section 532(d) of such Act is amended by striking
20 out "and \$7,000,000 or more for the fiscal year 1983".

21 (f) Section 533(a) of such Act is amended by striking out
22 "for each of the fiscal years 1982 and 1983" and inserting in
23 lieu thereof "for the fiscal year 1982".

24 (g) Section 533(b) of such Act is amended by striking
25 out "and for the fiscal year 1983", "for each such year", and

1 "for the fiscal year 1982 and \$10,000,000 for the fiscal year
2 1983".

3 (h) Section 537 and section 538 of such Act are each
4 amended by striking out "years 1982 and 1983" and insert-
5 ing in lieu thereof "year 1982" and by striking out "for each
6 such year".

7 (i) Section 539 of such Act is amended by striking out
8 "and \$20,000,000 for the fiscal year 1983".

9 TITLE IV—DEVELOPMENT ASSISTANCE

10 EDUCATION AND HUMAN RESOURCES DEVELOPMENT

11 SEC. 401. Section 105(a) of the Foreign Assistance Act
12 of 1961 is amended by striking out "\$103,600,000 for the
13 fiscal year 1983" and inserting in lieu thereof
14 "\$116,383,000 for the fiscal year 1983".

15 ENERGY, PRIVATE VOLUNTARY ORGANIZATIONS, AND

16 SELECTED DEVELOPMENT ACTIVITIES

17 SEC. 402. Section 106(e)(1) of the Foreign Assistance
18 Act of 1961 is amended by striking out "\$147,200,000 for
19 the fiscal year 1983" and inserting in lieu thereof
20 "\$166,757,000 for the fiscal year 1983".

21 AGRICULTURAL AND PRODUCTIVE CREDIT AND SELF HELP

22 COMMUNITY DEVELOPMENT PROGRAMS

23 SEC. 403. Section 222A(h) is amended by striking out
24 "September 30, 1982" and inserting in lieu thereof "Sep-
25 tember 30, 1983".

1 INTERNATIONAL ORGANIZATIONS AND PROGRAMS

2 SEC. 404. Section 302(a)(1) of the Foreign Assistance
3 Act of 1961 is amended by striking out the second sentence
4 thereof.

5 TRADE AND DEVELOPMENT PROGRAMS

6 SEC. 405. Section 661(b) of the Foreign Assistance Act
7 of 1961 is amended by striking out "\$6,907,000 for the fiscal
8 year 1983" and inserting in lieu thereof "\$10,500,000 for
9 the fiscal year 1983".

10 TITLE V—MISCELLANEOUS PROVISIONS

11 INTERNATIONAL NARCOTICS CONTROL

12 SEC. 501. Section 482(a)(1) of the Foreign Assistance
13 Act of 1961 is amended by striking out "\$37,700,000" the
14 second time it appears and inserting in lieu thereof
15 "\$40,000,000".

16 OPERATING EXPENSES

17 SEC. 502. Section 667(a) of the Foreign Assistance Act
18 of 1961 is amended by striking out "\$335,600,000 for the
19 fiscal year 1983" and inserting in lieu thereof
20 "\$376,000,000 for the fiscal year 1983".

21 TITLE VI—AUTHORIZATIONS FOR THE FISCAL

22 YEAR 1984 AND EFFECTIVE DATE

23 SEC. 601. There are authorized to be appropriated to
24 the President for the fiscal year 1984 such sums as may be
25 necessary to carry out programs and activities for which ap-

1 appropriations for the fiscal year 1983 are authorized by this
2 Act or by the International Security and Development Coop-
3 eration Act of 1981.

4 SEC. 602. The amendments made by this Act shall take
5 effect on October 1, 1982.

The CHAIRMAN. It is important to recognize at the outset that last year Congress authorized funds for the fiscal year 1983 foreign aid program in a 2-year authorization, so this request in essence would be an augmentation to the existing authorization. The conferees last year recognized that such an augmentation would be requested and stated that the 2-year authorization was not intended to preclude such a request.

There is considerable resistance in Congress, and especially in the House, to providing any additional foreign aid authorization this year. In this committee's March report to the Budget Committee, we recognized that maintaining the existing level of authorization is "a very real option."

I believe, however, that this committee should listen very carefully to the administration proposal for increased levels of security assistance. While Congress has thus far provided authority for about \$7.1 billion for the basic security assistance programs for fiscal year 1983, the administration would add about \$1.65 billion to that for an overall security assistance request of \$8.7 billion. The largest requested increases are for Egypt, Pakistan, Israel, Spain, and Turkey.

In addition, S. 2227 includes several legislative provisions intended to provide greater flexibility for the President. The two most important provisions are repeal of foreign aid prohibitions on the People's Republic of China and a new antiterrorism program.

I might say that the administration really has an opportunity to show a little flexibility. Working with the administration now, we have to determine whether or not security assistance for our allies is of such urgency that in a sense it is a substitute for expenditures we might make at home. We have to decide whether or not those expenditures can be made more rapidly than the general big buildup that we have for our own national defense, whether they can be manned, put to use, and are strategically located, more strategically located than in our own defense.

So that a large part of our overall budget problem is whether or not the position maintained by the administration is rigid, no reduction in the projected defense budget for ourselves, or whether there is a degree of flexibility. Whether or not we can accede to requests for increases in security assistance may well be conditioned upon flexibility by the Defense Department in determining where it is best to put those dollars to work.

I can say this for certain: Both the defense and security assistance budgets cannot go up as every other budget in the country goes down. They just simply cannot do it and are not going to do it, from my own feeling of the mood of the Congress and the mood of the people in this country.

So we look with an open mind at increases, though we have uniquely made an authorization for fiscal year 1983 without any provision for inflation that was unanimously carried in this committee. But we will certainly open our minds to your testimony.

Senator Pell, we are happy to hear from you.

Senator PELL. Thank you, Mr. Chairman.

As you have pointed out, our committee already had provided a fiscal year 1983 authorization for foreign aid in a substantial amount, \$9.2 billion. Of this amount, \$5.9 billion is in the form of budget authority and \$3.3 billion is in the form of guarantee authority, facilitating

loans for which the U.S. Government is financially responsible and having exactly the same effect on American credit markets as if the Treasury had borrowed the money directly, as it does to finance the national deficit.

The administration now proposes to increase the fiscal year 1983 amounts already authorized by over \$1.6 billion. This increase is almost entirely in the military assistance category and actually is roughly equal to the entire amount of bilateral development assistance which the United States will provide in fiscal 1983.

Last year the Reagan administration shifted the foreign aid program sharply in the direction of security assistance. It now proposes to shift the program even more sharply in that direction. Indeed, if this proposal is approved, the overall level of security assistance—that means weapons and training—will be \$8.7 billion as compared to only \$1.7 billion in development assistance.

Thus as these hearings begin I wish to underscore my own view that a very heavy burden of proof rests on the administration in two respects: First, to justify the substantial increase in overall program levels at a time of extreme budgetary austerity; and second, and concerning me even more, is to justify the continuing shift of foreign aid programs in the direction of military aid, of weapons rather than economic support.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Pell.

Our first witness this morning will be our former colleague and distinguished friend, the Honorable James L. Buckley, Under Secretary for Security Assistance, Science, and Technology, of the Department of State. He will be followed by Lt. Gen. James H. Ahmann, Director, Defense Security Assistance Agency, Department of Defense, who will be followed by the Honorable Joseph C. Wheeler, Acting Administrator, Agency for International Development. And the anchorman is the Honorable Robert M. Sayre, Chairman, Interdepartmental Group on Terrorism, Department of State.

Secretary Buckley, we are honored and always pleased to have you with us.

STATEMENT OF HON. JAMES L. BUCKLEY, UNDER SECRETARY FOR SECURITY ASSISTANCE, SCIENCE, AND TECHNOLOGY, DEPARTMENT OF STATE

Mr. BUCKLEY. Thank you, Mr. Chairman and Senator Pell.

To save some time, I will read an abbreviated statement and will ask that my full statement be entered in the record.

The CHAIRMAN. Without objection, your full statement will be inserted in the record.

Mr. BUCKLEY. Thank you.

Mr. Chairman, it is customary for a witness to begin by saying how pleased he is to present the request being submitted by an administration, in this case our foreign assistance funding request for fiscal 1983. The fact is that I take no more joy in coming before you to present a request for increased funding over last year than you undoubtedly will feel in entertaining this request.

The administration is mindful of the fact that the Congress passed a 2-year authorization bill last year. But as the committee report recognized, the authorizations for 1983 were made without the benefit of the administration's views, and it anticipated that in due course the administration would be submitting a request for additional funds.

We wish we could stay within the amounts already authorized, but we have no responsible choice but to request the additional levels of security assistance reflected in the administration's budget for fiscal year 1983. They reflect the hard necessity of responding effectively to events occurring outside our borders which have the most direct impact on our ultimate safety and well-being.

You are, of course, familiar with the events that have occurred in the past year. We have seen more and more countries undergoing pressure from the Soviets and their stand-ins. Afghanistan continues to be occupied. The Polish bid for greater freedom has been crushed. Vietnamese troops continue to occupy Kampuchea and threaten Thailand. In Africa and in the Caribbean Basin, Cuban troops or Cuban-supported forces pose a direct threat to our most vital interests.

Weakness attracts the predator. Hence we have seen a shift in the Soviets' global challenge from the industrialized states of Europe to the less developed nations of Asia, the Middle East, Africa, and, closer to home, the Caribbean.

To meet these urgent challenges abroad and to minimize the cost to taxpayers at home, this administration has adopted a fundamentally new approach in arriving at our security assistance program for fiscal year 1983. We have explicitly defined our Nation's vital policy objectives and painstakingly allocated all foreign assistance resources against our priority goals.

The resulting program will marshal the minimum resources necessary to:

Promote peaceful solutions to regional rivalries;

Two, assure U.S. access to critical military facilities and basic raw materials;

Three, confront growing military threats from, and subversive efforts by, the Soviets and their proxies; and

Four, reduce the economic and social degradation that breeds domestic violence and invites external intervention.

The details of our fiscal year 1983 request are set forth in the Department's booklet, "International Security and Economic Cooperation Program, Fiscal Year 1983," which has been made available to the Congress. What I would now like to do, Mr. Chairman, is review briefly the major foreign policy objectives described in that booklet and explain why the requested security assistance is necessary to attain our goals. I will also summarize the few changes to the legislation which we will be seeking.

Over 53 percent of the entire fiscal year 1983 security assistance program will be directed in support of our Middle East objectives, namely the search for a just and lasting peace and the urgent requirements that friends in the region be secure against external threats. These objectives are mutually reinforcing.

The security and economic health of Israel and Egypt are requisite for further broadening the peace in the Middle East. U.S. assistance programs tangibly reflect our support and help, giving these nations the competence to continue on the path toward peace begun

at Camp David. Our assistance to Israel and Egypt, along with our aid to Jordan, Lebanon, and the regional programs, provides a security and economic base essential to ultimate stability and peace within the region.

The President is allocating 19 percent of the program, namely \$1.6 billion, to support our interests in Europe. The strategic importance to NATO of Europe's southern flank has been dramatically underscored by events this past year. With neighboring regions facing a growing challenge, our efforts to assist Greece, Turkey, Spain, and Portugal have assumed increased importance.

Helping these nations through our security assistance programs is an important contribution to our common defense, not only against threats to Europe but also against challenges to our common interests beyond the geographic bounds of the alliance. Turkey, for example, lies at the intersection of our NATO, Middle East, and Persian Gulf security concerns. Spain and Portugal, the other major security assistance recipients, are important not only to our NATO defenses, but also to our capabilities to project military forces from the United States to Africa and the Middle East.

Ten percent of the fiscal 1983 security assistance program is directed to insuring our continued access to Southwest Asia and the Persian Gulf and to the region's critically important resources. Almost all nations in the area stretching from Morocco to Pakistan face serious economic problems and potential subversion or regional threats.

Our proposal for military modernization and economic assistance will help Pakistan to deter attacks from Afghanistan and facilitate the economic development essential to internal stability. Sudan, Morocco, and Tunisia all face to one degree or another threats of subversion or aggression emanating from Libya. All are important, not only to our strategy for the security of the Persian Gulf, but potentially to the prospects for peace in the Middle East as well.

Our plan for restoring stability and improving economic prospects in the Caribbean Basin will require \$433 million in security assistance for 1983. You are all thoroughly familiar with the approach that has been adopted by the administration in this regard. I would only point out that the amounts allocated for military assistance represent just 16 percent of our total program for the Caribbean Basin.

Requests in support of our important Pacific interests represent a modest fraction, only 6 percent, but nevertheless a vital part of our fiscal year 1983 security assistance program. This region is of major political, strategic, and economic importance to the United States. We have significant treaty relationships with Japan, Korea, the Philippines, Thailand, and our ANZUS partners. U.S. trade with the area now surpasses that with Western Europe.

In Northeast Asia, South Korea must continually upgrade its defenses in order to deter its northern neighbor from military adventures. In Southeast Asia, Thailand is threatened by the Soviet-supported 200,000-man Vietnamese army that continues to occupy Kampuchea. The Philippines provide the United States with essential military facilities, and Indonesia and Malaysia straddle important sea lanes.

To help secure our interests in the Indian Ocean, we are helping Kenya and Somalia achieve economic self-reliance and improved defense capabilities. In turn, both nations provide U.S. forces with access

to facilities, thus contributing significantly to our ability to sustain a credible deterrent posture in the region.

Our proposed \$177 million security assistance program for southern Africa is designed to advance the peaceful establishment of an independent Namibia, to help insure continued Western access to key strategic minerals, and to support the development process from Zaire south. We must fulfill our undertaking to assist the economic development of the frontline states of southern Africa, whose participation is essential to the stability of a region rich in minerals essential to our own economic well-being.

In west Africa, modest levels of security assistance are essential if we are to maintain economic and political resilience and discourage further Libyan attempts to exploit the financial difficulties faced by several nations.

To support these essential goals, the President is requesting, and is committed to defending, a total \$8.7 billion security assistance program for fiscal year 1983. Of this, \$4.8 billion requires budget authority. The balance of \$3.9 billion is in the form of off-budget FMS [foreign military sales] guarantees.

The foreign policy objectives I have just outlined are those we strive to attain with these resources. As never before, the President's program has been carefully structured to address only our most critical needs. We again seek authority to provide concessional assistance to key countries in order to make it possible for them to purchase defense equipment and services that we believe is in our interest for them to have.

We are asking this because we believe that concessional rates provide us with maximum flexibility in meeting the specific needs of security assistance recipients. In contrast with grants, over the longer term they also lower the net cost to U.S. taxpayers.

Let me now itemize the modifications we will seek to encourage in the legislation. Seven of them involve minor changes that will enhance the effectiveness of our security assistance program. In addition, we seek new authority to establish an antiterrorism law enforcement security program, which my colleague Ambassador Robert Sayre will describe to you. The proposed revisions to the law are:

One, an emergency peacekeeping drawdown authority for the President of \$10 million in commodities and services, if he determines that unforeseen circumstances have developed which necessitate immediate assistance;

Two, elimination of certain prohibitions on foreign assistance to the People's Republic of China [PRC], ending the discriminatory treatment of that country based on its past association with the Soviet bloc;

Three, a clarification to permit full cost recovery of all additional expenses incurred in carrying out administrative functions under the Arms Export Control Act;

Four, exemption from the present 15-day notification to the Congress on reprogramming funds of up to \$50,000 for IMET [International Military Education and Training] and international narcotics control programs;

Five, provision for a 1-to-1 exchange of United States and foreign military students at professional military schools;

Six, allowance of funds collected for administrative surcharges to be used for representation purposes;

And finally, seven, an allowance for the executive branch to sell Government-furnished equipment to U.S. firms acting as prime contractors for foreign governments or international organizations for incorporation into end items.

I assure you, gentlemen, that in this most difficult year the President would not be asking for additional security assistance if he were not absolutely convinced that these resources were essential to enhance the prospects for peace and to protect essential American interests around the globe. Without them, the President would be forced to decide which objectives of our foreign policy to pursue and which to abandon or neglect.

For example, he would be forced to face such damaging choices as scaling back our Spanish bases in order to finance our Caribbean initiative, or of shifting resources away from Turkey in order to address our needs in Sudan, Kenya, and Somalia, or abandoning our undertakings and initiatives in such important areas as southern Africa and Southeast Asia in order to meet our commitments in the Middle East.

Unless we are willing to make these investments for peace and security today, we risk far greater costs to both our safety and national treasure tomorrow.

Thank you, Mr. Chairman.

[Mr. Buckley's prepared statement follows:]

PREPARED STATEMENT OF HON. JAMES L. BUCKLEY

Mr. Chairman, members of the committee, I am pleased to be here today to have the opportunity to present a 1983 foreign assistance program. The administration is mindful of the fact that the Congress passed a two-year authorization bill last year. But as the committee report recognized, the authorizations for 1983 were made without the benefit of the administration's views, and it anticipated that the administration would be submitting requests for additional funds in due course.

We wish we could stay within the amounts already authorized, but we have no responsible choice but to present the additional levels of security assistance the administration is asking for fiscal year 1983. They reflect the hard necessity of responding effectively to events occurring outside our borders which have the most direct impact on our ultimate safety and well-being.

Close to home and in distant lands, our Nation's most important military, political and economic interests are being challenged. Security assistance is the most cost-efficient investment we can make both to meet the challenges of today and to enhance the prospects for a safer future in which all nations observe the maxim of "live and let live." At the present time, however, strategically located friends and allies are under growing pressure from the Soviets and their stand-ins. Afghanistan has been taken. The bid for greater freedom has been crushed in Poland. With Soviet arms and support, Vietnamese troops continue to occupy Kampuchea. In Africa and in the Caribbean Basin, Cuban troops or Cuban supported forces pose a direct threat to our most vital interest.

Weakness attracts the predator. Hence it is understandable that the arena of global challenge has increasingly shifted from the industrialized states of Europe and Asia to the less developed nations of Asia, the Middle East, Africa and, closer to home, the Caribbean. A failure to achieve viable economies, credible defenses, and stable political institutions makes these less developed nations inviting targets for subversion.

To meet these urgent challenges abroad and to minimize the cost to taxpayers at home, this administration has adopted a fundamentally new approach in arriving at our security assistance program for fiscal year 1983. We have explicitly defined our Nation's vital foreign policy objectives and painstakingly allocated all foreign assistance resources against our priority goals. As many of you can appreciate, this has necessarily prolonged the process and delayed the submission of some congressional presentation materials. However, we believe the resulting program contains the minimum required resources to:

Promote peaceful solutions to regional rivalries; assure U.S. access to critical military facilities and basic raw materials; confront growing military threats from, and subversive efforts by, the Soviets; and reduce the economic and social degradation that breeds domestic violence and invites external intervention.

The entire program has been carefully scrutinized by the President to ensure that our resources are in fact directed toward our most important goals. The final scrutiny, of course, will be yours. But given the care with which this request has been constructed and the pressing needs it has been designed to meet, I urge your committee and the Congress to approve it in full.

I would invite your attention to the Department's booklet, "International Security and Economic Cooperation Program, Fiscal Year 1983," which has been made available to the Congress. Since the details of our fiscal year 1983 program are set forth in this document, I will forego a listing of all the specific levels and instead summarize the major regional elements.

Overall, our fiscal year 1983 request is for \$8.7 billion in total program authority; the necessary budget authorization would come to \$4.8 billion. You will note that this represents a program increase of \$1.65 billion and a budget increase of \$1 billion over the amounts you have already authorized for fiscal year 1983. Given our worldwide responsibilities, and the problems with which we have to deal, the increase we seek is modest.

I would now like to review briefly the major foreign policy objectives toward which our proposed program has been tailored and explain why the requested security assistance is necessary to attain our goals. I will also summarize the few changes to the legislation which we will seek.

Over 53 percent of the entire fiscal year 1983 security assistance program will be directed in support of our Middle East objectives, namely the search for a just and lasting peace and the urgent requirement that friends in the region be secure against external threats. These objectives are mutually reinforcing. No peace is possible unless the nations of the region are secure from outside coercion, and security will not be achieved if we fail to address the underlying sources of conflict and instability.

Our security assistance serves both of these objectives. It seeks to advance economic well-being and political stability in the region. The security and economic health of Israel and Egypt are requisite for further broadening the peace of the Middle East. U.S. assistance programs tangibly reflect our support and help give these nations the confidence to continue on the path toward peace begun at Camp David. Our assistance to Israel and Egypt, along with our aid to Jordan, Lebanon and the regional programs, provides a security and economic base essential to ultimate stability and peace within the region.

The President is allocating 19 percent of the program, namely \$1.6 billion to support our interests in Europe. The strategic importance to NATO of Europe's southern flank has been dramatically underlined by events this past year. With neighboring regions facing a growing challenge, our efforts to assist Greece, Turkey, Spain, and Portugal have assumed increasing importance. Helping these nations, through our security assistance programs, is an important contribution to our common defense, not only against threats to Europe but against challenges to our common interests beyond the geographic bounds of the alliance. Turkey, for example, lies at the intersection of our NATO, Middle East, and Persian Gulf security concerns. A militarily and economically stronger Turkey cannot only contribute significantly more to a strengthened NATO deterrent, but can move more rapidly to the full return of civilian government. Spain and Portugal, the other major security assistance recipients, are important not only to our NATO posture, but to our capabilities to project military forces from the United States to Africa and the Middle East.

Ten percent of the fiscal year 1983 security assistance program is directed to ensuring our continued access to Southwest Asia and the Persian Gulf, and to their critically important resources. Almost all nations in the area stretching from Pakistan in the East to Morocco in the West face serious economic problems and potential subversion or regional threats, in many cases supported by the Soviets or their proxies. Our proposal for military modernization and economic assistance will help Pakistan to deter attacks from Afghanistan and facilitate the economic development essential to internal stability. Sudan, Morocco and Tunisia all face, to one degree or another, threats of subversion or aggression emanating from Libya. All are important not only to our strategy for the security of the Persian Gulf, but, potentially, to the prospects for peace in the Middle East as well.

Our plan for restoring stability and improving economic prospects in the Caribbean Basin will require \$433 million in security assistance for 1983. Here we face a major challenge from Cuba's efforts to exploit economic, social and military vulnerabilities. Our assistance programs are designed to address the underlying causes of socio-political instability and restore stability within the region as a whole. We must help provide the concessional resources essential to the task until increased investment, a strengthened private sector, and expanded export markets enable these countries to achieve economic self-sufficiency.

Of this amount, El Salvador will need \$166 million in economic support fund and military assistance to thwart the outright drive by insurgents to destroy the economy. Jamaica will continue to need substantial assistance in order to restore the vitality of its shattered private sector. Costa Rica's rapidly deteriorating economy will require substantial assistance while fundamental reforms are effected. Honduras faces an economic decline and a political-military crisis on its borders. Deteriorating conditions in other countries in the region may well require emergency assistance during the year, hence the critical importance of at least the modest contingency funds we are proposing. I should like to note that the amounts allocated for military assistance represent just 16 percent of our total program for the Caribbean Basin.

Requests in support of our important Pacific interests represent a modest fraction, only 6 percent, but nevertheless a vital part, of our fiscal year 1983 security assistance program. This region is of major political, strategic, and economic importance to the United States. We have significant treaty relationships with Japan, Korea, the Philippines, Thailand and our Anzus partners. We also have a growing economic and commercial stake in the area, with petroleum both originating and passing through the region. U.S. trade with the area now surpasses that with Western Europe.

The Philippines, Indonesia and Malaysia are located astride strategic sea lanes that are vital to United States and Western interests. Indonesia is an important source of petroleum. The Philippines provide the United States with essential military facilities. Our security and economic assistance contributes to the stability of these nations, their economic progress and political development, and to our own defense and economic well-being.

In Northeast Asia, a strong and economically vital South Korea is essential to deter its Northern neighbor from military adventures. A Soviet-supported 200,000-man Vietnamese Army remains in Kampuchea and threatens Thailand's security.

The importance of our interests in the Western Pacific is beyond dispute, and the only reason our proposal is not larger, is that our partners in the Far East are somewhat better off economically and in security terms than are many of our friends and allies elsewhere.

To help assure stability and access in the Indian Ocean and Persian Gulf area, we must provide economic and military assistance to Kenya, Somalia, Djibouti, Mauritius and the Seychelles. Most of these nations are experiencing severe economic difficulties, and several face serious threats from Ethiopia or South Yemen.

Both Kenya and Somalia require help in achieving economic self-reliance and improved defense capabilities. In turn, both nations provide U.S. forces with access to facilities, thus contributing significantly to our ability to sustain a credible deterrent posture in the region.

Our proposed \$177 million security assistance program for Southern Africa is designed to advance the peaceful establishment of an independent Namibia, to help ensure continued Western access to key strategic minerals, and to support the development process from Zaire to the Cape. We must fulfill our undertaking to assist the economic development of the frontline states of Southern Africa, whose participation is essential to the stability of a region rich in minerals essential to our economic well-being. The alternative, a new escalation of conflict, would only provide irresistible opportunities for the Cubans and Soviets.

In West Africa, modest levels of security assistance are essential to maintain economic and political resilience and to discourage further Libyan attempts to exploit the financial difficulties faced by several nations. In addition, our aid to Liberia is designed to ensure continued U.S. access to key transportation and communications facilities.

In sum, the President is requesting and is committed to defending a total \$8.7 billion security assistance program for fiscal year 1983. I reiterate that only \$4.8 billion requires budget authority; \$3.9 billion is in the form of off-budget FMS

guarantees. The foreign policy objectives I have just outlined are those we strive to attain with these resources. The President's program has, as never before, been carefully structured to address only our most critical needs. For example, 87 percent of the entire fiscal 1983 FMS guarantee program is allocated to only seven countries: Egypt, Greece, Israel, Pakistan, Spain, and Turkey; 77 percent of the fiscal year 1983 ESF program is for six vital countries: Egypt, El Salvador, Israel, Pakistan, Sudan, and Turkey. Almost 80 percent of the FMS direct credit program will go to Israel, Egypt, Portugal, Sudan, and Turkey.

We again seek authority to provide concessional assistance to key countries in order to make it possible to purchase defense equipment and services that we believe it is in our interests for them to have. We are asking this because we believe that concessional rates provide us with maximum flexibility in meeting the specific needs of security assistance recipients. Over the long term, they also lower the net cost to the U.S. taxpayer. The two adverse trends of increasing debt burdens among recipient countries and high FFB interest rates have created a situation in which many countries with particularly weak economies are facing serious difficulties in financing their purchases through FMS guaranteed loans. Under our proposal, we will plan to offer \$950 million in the form of forgiven credits to three countries only—\$500 million for Israel, \$400 million for Egypt and \$50 million for Sudan. In addition, we propose to furnish \$789 million of concessional credits to 19 countries (including an added \$50 million for Sudan) at a rate of interest as low as 3 percent. The countries selected are those facing particularly difficult economic situations and in which we have important security and foreign policy interest. For example, we are planning to provide \$300 million at concessional rates to Turkey for its modernization program; 70 percent of the remaining \$489 million would go to six countries: Thailand, Tunisia, Sudan, Morocco, Portugal, and El Salvador.

Mr. Chairman, committee members, the programs we are submitting have been carefully weighed, debated and made to answer the question, "is the need critical?" We have had to make trade-offs between what we (and you) would like to do and the minimum that must be done to protect our national interests. Our conclusion is that there is simply no alternative but to seek the additional resources if we are to support our varied and important goals. Without the increases over the levels appropriated for the current year:

We would be unable to provide sufficient FMS guaranteed financing to launch the Pakistan program we discussed in such detail last year, increase the Egypt and Israel programs or support our negotiations for the Spanish bases.

We would be unable to provide the concessional credit terms required to enable Egypt, Sudan, Turkey, Thailand, Morocco, Tunisia, El Salvador, and Portugal to upgrade their defenses.

The ESF level would fall far short of the needs of Turkey and countries in the Caribbean Basin.

Let me now summarize the modifications we will seek to current legislation. Seven of them involve minor changes that will enhance the effectiveness of our security assistance program. In addition, we seek new authority to establish an anti-terrorism law enforcement assistance program, which my colleague, Ambassador Robert Sayre, will describe to you. The proposed revisions to the law are:

(1) An emergency peacekeeping drawdown authority for the President of \$10 million in commodities and services, if he determines that unforeseen circumstances have developed necessitating immediate assistance;

(2) Elimination of certain prohibitions on foreign assistance to the People's Republic of China, ending the discriminatory treatment of that country based on its past association with the Soviet bloc;

(3) A clarification to permit full-cost recovery of all additional expenses incurred in carrying out administrative functions under the Arms Export Control Act;

(4) Exemption from the present 15-day notification to the Congress on reprogramming funds up to \$50,000 for IMET and international narcotics control programs;

(5) Provision for a "one-to-one" exchange of U.S. and foreign military students at professional military schools in accordance with bilateral agreements to be negotiated with foreign countries and international organizations after enactment;

(6) Allowance of funds collected for administrative surcharges to be used for representation purposes; and finally,

(7) An allowance for the Executive to sell Government furnished equipment, including components and spares, to U.S. firms acting as prime contractors for

foreign governments or international organizations for incorporation into end items.

In conclusion, I assure you, gentlemen, that in this most difficult year the President would not be asking for additional security assistance if he were not absolutely convinced that these resources were essential to enhance the prospects for peace and protect essential American interests around the globe. Without them, the President would be forced to decide which objectives of our foreign policy to pursue and which to abandon or neglect. For example, he would be forced to face such damaging choices as scaling back our Spanish bases in order to finance our Caribbean initiative, or of shifting resources away from Turkey to address our needs in Sudan, Kenya and Somalia, or abandoning our undertakings and initiatives in such important areas as Southern Africa and Southeast Asia in order to meet our commitments in the Middle East.

Unless we are willing to make these investments for peace and security today, we risk far greater costs to both our safety and national treasure tomorrow.

The CHAIRMAN. Thank you very much, Secretary Buckley. Senator Helms, do you have any opening comments?

Senator HELMS. No, Mr. Chairman, thank you.

The CHAIRMAN. Very well. Our next witness is Lt. Gen. James H. Ahmann. General, we are happy to have you with us this morning.

STATEMENT OF LT. GEN. JAMES H. AHMANN, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY, DEPARTMENT OF DEFENSE

General AHMANN. Thank you, Mr. Chairman. To save time I, too, will summarize my formal statement for the record.

The CHAIRMAN. Thank you. Let me say that the full statement of each witness will be incorporated into the record.

General AHMANN. Sir, virtually every significant international policy initiative of the United States has been influenced or been affected by the conduct and content of our U.S. military assistance policies.

In the immediate post-World War II period up to the present time, U.S. security assistance has been in the forefront of our U.S. foreign policy. It was grant aid assistance in the early fifties, for example, which was a key ingredient in building up the military capabilities of NATO, and helping to deter conflict in Europe for the past 30 years.

And during the years of the Korean conflict, emergency security assistance allowed a buildup of Korean forces which after that conflict, and together with our continued commitment, has deterred conflict on the Korean Peninsula over the past several decades.

And today and tomorrow, our security assistance is needed to help deter conflict in other parts of the world where critical U.S. interests are at stake. In the Middle East and Southwest Asia, in the Caribbean and Central America. In fact, in virtually every region in an increasingly smaller and interdependent world.

In short, sir, I would like to stress what I believe is an elemental point. Security assistance is not a giveaway program without specific aims. It does fully complement our U.S. defense program and budget, and contributes significantly to our national security. And it requires a relatively small cost to the American taxpayer.

Secretary Buckley spoke earlier of the President's appreciation for congressional passage of the fiscal year 1982 foreign assistance bill, the first appropriations in several years. That enactment has been immensely helpful to us in implementing our security assistance.

However, the 1982 Foreign Aid Appropriations Act did not provide authority that will enable us to obligate funds for implementation of a special defense acquisition fund [SDAF], which was authorized by the Congress last year.

As members of the committee are aware, this special fund is a high priority initiative which will enable us to respond to unanticipated foreign requests without at the same time having a negative effect on our force readiness. We need to remove the remaining obstacles to being able to obligate these funds, and I urge you to support this fund. We believe that it is a key innovation.

As Secretary Buckley said, the challenges we face today have forced us to request an increase to the fiscal year 1982 security assistance budget. If funding levels remain constant in 1983, we will not be able to adequately meet global and regional requirements.

We need to further the peace process between Israel and Egypt, to secure access to facilities in the Indian Ocean and Persian Gulf area, to assist countries such as Pakistan, Sudan, Morocco, El Salvador, Thailand, and Honduras to cope with internal or cross-border conflicts. And we also need to provide adequate assistance to those direct allies who share our strategic and security concerns, countries such as Turkey, Greece, Portugal in NATO, Korea in the Far East, and other strategically positioned countries in Africa and the Middle East.

The administration's request for \$950 million in forgiven credits for Egypt, Israel, and the Sudan, and \$789 million for the concessional loan program are particularly significant. Major recipients of the concessional loan program would include Portugal and Turkey, but these softer credits would go to an additional 16 countries in all regions of the world.

We believe that these additional direct credits are absolutely essential if severely, financially hard-pressed countries are to meet their legitimate security requirements. Most cannot afford the stiff terms of our guaranteed loan program.

Mr. Chairman, we are painfully aware that our request comes at a time when there are many competing national priorities and a need for additional belt-tightening. I can only say that, in my opinion, a failure to be responsive to the security assistance needs could require greater sacrifice in the form of future budget outlays or even increased probability of required U.S. participation in conflicts in the future.

The increases we are asking for are substantial when compared to most other program areas. We recognize that. But I would also point out that the proposed increase in security assistance would come on the top of a very small funding base.

I have appended several graphics to my statement which show a steady erosion of the security assistance program over the past three decades. The security assistance grant element peaked in 1952, but by 1981 it dropped to about one-twentieth of the 1952 level, if measured in constant-dollar terms.

The portion of today's security assistance that is funded by the American taxpayer and Treasury-borrowing is only about a quarter of what we paid to rearm our allies in Europe in the early 1950's. Then, as now, sir, we were responding to the threat posed by the Soviet Union.

The present threat is indicated by the increased adventurism of the Soviets and the Soviet proxies in Angola, Ethiopia, Afghanistan, Nicaragua, El Salvador, Cambodia, and Laos. Today, the threat emanating from this adventurism is far more global than it has ever been.

Today, the cost to the taxpayer for security assistance programs in real terms is at its lowest level in 30 years. Historically, then, Mr. Chairman, the size of our proposed increase in fiscal year 1983 in security assistance is due not only to the real security requirements overseas, but also due, I think, to a long overdue effort to reverse the steady erosion in the program over the years.

I might add that during the past decade, the Soviet Union launched a drive to expand the scope and attractiveness of its security assistance programs. Measured in weapons transferred, the Soviet program far surpasses ours.

For example, between 1978 and mid-1981, the Soviets provided twice the number of tanks and self-propelled guns, twice the amount of artillery pieces that the United States provided. The Soviets also provided three times the number of combat aircraft in their security assistance programs.

I think it is also important to note that Soviet military aid consists, in our estimate, of about 75 percent of lethal goods, while ours is very largely in the area of spare parts and construction programs to the point where our total security assistance program is only about 30 percent lethal equipment.

We are, as Secretary Buckley said, also proposing several legislative initiatives this year. And I would like to emphasize some of those which are of particular interest to the Department of Defense. The first is the authority for a military exchange training program between our senior and intermediate professional military schools and those of foreign countries.

Specifically, we are proposing a change that would authorize reciprocal personnel training exchanges with foreign governments on a strict, one-for-one basis. As it stands now, we are unable to reciprocate in kind in those cases where foreign governments offer us highly desirable senior level training on a tuition-free basis.

The second change would propose authorization for the sale of defense items manufactured in government-owned-and-operated plants to private U.S. firms which are acting as prime contractors for incorporation into defense end items for commercial export.

The law now permits such government-furnished equipment to be sold to foreign customers only through foreign military sales [FMS] or government-to-government channels. Such instances that would be covered by this proposed change are few in number and we would insure that they would not adversely affect our force readiness. The purpose of this initiative is to directly assist American industry.

A third legislative change will be intended to relieve our overseas and, to a lesser extent, our CONUS personnel from the onerous burden of using their personal funds to cover the cost to carry out security assistance representational functions.

The request would seek an amendment to the Arms Export Control Act to authorize use of collections from FMS administrative surcharges to augment MAP [military assistance programs] appro-

priated money for these representational funds. The amount of money we are seeking is small, about \$74,000.

Setting aside this small portion of the returns from our FMS program would not require any budget outlays and would not be an added expense to the taxpayer. We need to ease the personal financial sacrifices our people in the field are asked to make in order to conduct their jobs in a professional manner.

Mr. Chairman, I know from personal experience that the normal representational functions of our security assistance people around the world cannot be properly carried out at current funding levels.

Finally, sir, we are proposing improvements in the congressional notification process involving requests for reprogramming of the international military education and training [IMET] funds. The proposal would establish a \$50,000 reprogramming threshold below which congressional notification would not be required.

Our intent here is very straightforward. We want to streamline the notification process to relieve Congress, State, and Defense of the large number of notices required, and to expedite more rapid shifting of programed country funds.

Had this proposal been in effect in fiscal year 1981, in the critical end of the fiscal year time period in August and September, seven of eight notifications would not have been required.

Sir, in conclusion, I would like to state that there has been the closest collaboration between the Department of Defense in developing these recommendations for the proposed fiscal year 1983 security assistance amendment.

I know that I reflect the views of the Secretary of Defense when I urge the committee to give favorable consideration to the administration's security assistance proposal. Security assistance is a good investment. It is an investment in improved security, it is an investment in improved ability to deter conflict around the world, and it is an investment in the improvement of our foreign policy and defense posture.

I look forward to your questions, sir, thank you.

[Lieutenant General Ahmann's prepared statement follows:]

PREPARED STATEMENT OF LT. GEN. JAMES H. AHMANN

Thank you, Mr. Chairman. My remarks today will be brief. Secretary Buckley has just provided this committee with a detailed statement on the President's fiscal year 1983 security assistance proposal. He also described the critical role security assistance plays in the successful conduct of our foreign policy and in the fulfillment of our overseas defense mission. Needless to say, I strongly agree that the security assistance program is, and always has been, an indispensable instrument for promoting, preserving and protecting our interests and the interests of friendly and allied nations around the world. I will concentrate my comments on the need for increasing the fiscal year 1982 authorized program levels and on some of the legislative initiatives we are proposing for fiscal year 1983.

Before making these comments, however, I would like to re-emphasize, for the committee, that security assistance, in its many forms, has always been at the cutting edge of our foreign policy and national security strategy. Virtually every significant international policy initiative or actual engagement of U.S. forces since World War II was either influenced by or affected the conduct and content of U.S. military assistance policy. In the immediate post-war period up to the present time, U.S. security assistance has been in the forefront of U.S. foreign policy. Grant aid security assistance in the early 1950's, for example, was the key ingredient in building up the military capabilities of NATO and in helping to deter war in Europe over the next 30 years. During the years of the Korean conflict, emergency security assistance allowed the building of Republic of Korea

armed forces which together with our continued commitment has deterred war in Northeast Asia for the past two decades. Today, and tomorrow, our security assistance is needed to help deter conflict in other parts of the world where critical U.S. interests are at stake—in the volatile Middle East, in Southwest Asia, in the Caribbean and Central America sub-regions and, in fact, in virtually every region of an increasingly smaller and interdependent world. In short, Mr. Chairman, I want to stress this elemental point—security assistance is not a give-away program without specific aims; it fully complements the U.S. Defense program and budget it contributes significantly to our national security and requires a relatively small cost to the American taxpayer. When compared to the substantial benefits derived from the program, the costs of security assistance today are very small.

Secretary Buckley spoke earlier of the President's appreciation for congressional passage of the fiscal year 1982 foreign assistance bill, the first in several years indicating congressional concern with security assistance. I want to reinforce that judgement. Unfortunately, the act failed to provide the authority that would enable us to obligate funds for implementation of the special defense acquisition funds (SDAF) which was authorized by the Congress. As the members of the committee are aware, the SDAF is a high priority initiative that will enhance our ability to respond to unanticipated foreign demands without, at the same time, having a negative effect on U.S. force readiness. We need to remove the remaining obstacles to obligating these funds and I want to use this occasion to express our appreciation for the committee's action and welcome your continued support for this key innovation.

Events do not remain static and the security assistance requirements of our friends and allies do not always conform to our budgetary cycles—or to our program levels. The challenges we face today, therefore, have forced us to request an increase to the fiscal year 1982 security assistance budget. If funding levels remain constant in fiscal year 1983, we would not be able to adequately meet identifiable global and regional requirements or to carry out commitments we have made to other governments. We need to continue to enhance the peace process between Israel and Egypt, to secure access to facilities in the Indian Ocean/Persian Gulf area, to assist countries to cope with internal or cross-border conflicts—such as Pakistan, Sudan, Morocco, El Salvador, Thailand and Honduras—and we also need to provide adequate assistance to those other nations who share our strategic and security concerns—countries such as Turkey and Portugal in NATO, Korea in the Far East and other strategically positioned countries in Africa and the Middle East.

The administration's fiscal year 1983 request builds upon the fiscal year 1982 base but adds urgent and only urgent requirements to it.

The largest FMS credit additions are for meeting the new and essential program for Pakistan and to improve the programs in Israel, Egypt, and Spain. We are also expanding the smaller programs in North African countries which face critical threats from Soviet-supported regimes and also provide facilities en route to Southwest Asia.

The administration's request for \$950 million in forgiven credits for Israel, Egypt, and the Sudan and \$789 million for the congressional loan program is particularly significant. Other major recipients of the concessional loan program include Portugal and Turkey, but these softer credits would be provided to an additional 16 countries in all regions of the world. We believe these additional direct credits are absolutely essential if financially hard-pressed countries are to meet their legitimate security requirements—most cannot afford the stiff terms of our guaranteed loan program.

The increase in IMET is necessary because we have added ten countries, and because we will feel the increasing costs of inflation in this program. The fiscal year 1983 request is almost \$12 million above the fiscal year 1982 authorization level.

In the near-term, the President believes that pressing security problems require a quick and decisive response, particularly in the Central America and the Caribbean sub-regions. As you know, the President has asked for a \$350 million supplemental appropriation for fiscal year 1982 to tackle the crippling problems of economic growth and political violence under the Caribbean Basin initiative. He also indicated his intention to seek additional military assistance for regional states to enable them to cope with internal and externally-supported threats to their security.

Mr. Chairman, we are painfully aware that our request comes at a time when there are many competing national priorities and a need for additional belt tightening at home. I can only say that in my opinion failure to be responsive in the present time frame will very possibly require greater sacrifice in the form of budget outlays and an increased probability of required U.S. participation in conflicts in the future. The increases we are asking for are substantial if compared to most other program areas, but it must be remembered that the proposed increase would come on top of a very small funding base.

I have appended several graphics to my statement showing a steady erosion of the security assistance program over the past three decades. The security assistance grant element peaked in 1952 but by 1981 dropped to about one-twentieth the 1952 levels if measured in constant dollar terms. The portion of today's security assistance that is funded by the American taxpayer and Treasury borrowing is only about a quarter of what we paid to re-arm our allies in Western Europe in the early 1950's. Then, as now, we were responding to the threat posed by the Soviet Union—as indicated by the increased adventurism of the Soviets and their proxies in Angola, Ethiopia, Afghanistan, Nicaragua, El Salvador, Cambodia and Laos. Today the threat emanating from this adventurism is greater and more global than ever. During this period, there has been a gradual improvement in the economic quality of life for the American people and little real change in the per capita burden of supporting the defense budget. Yet, by the early 1980's the cost to the taxpayer for the security assistance program, in real terms, is at its lowest level in 30 years. Historically, then, Mr. Chairman, the size of our proposed increase in the fiscal year 1983 security assistance request is due not only to real security requirements overseas but also to the long-overdue effort to reverse the steady erosion in the program over the years.

I might add that during the past decade, the Soviet Union launched a successful drive to expand the scope and attractiveness of its security assistance program. Measured in weapons transferred, the Soviet program far surpasses ours. For example, between 1978 and mid-1981:

	U.S.S.R.	United States
Tanks and SP guns.....	5,031	2,388
Combat aircraft.....	1,792	616
Artillery.....	5,594	2,733

It is important to note that Soviet military aid consists of about 75 percent lethal equipment while, in fiscal year 1981, ours ran at less than 30 percent. Their assistance to Cuba, Libya and other Soviet-client states disrupts stability and heightens our need to be responsive to friendly nations threatened by this Soviet military supply line.

Mr. Chairman, we are proposing several legislative initiatives designed to improve the overall conduct of our security assistance program. Among the changes already mentioned by Secretary Buckley, I would like to emphasize some of those which are of particular interest to the Department of Defense.

The first initiative seeks authority for a military exchange training program between our senior and immediate military education schools and equivalent schools in foreign countries. Specifically, we are proposing changes that would authorize reciprocal personnel exchanges with foreign governments on a one-for-one basis and on a reimbursement-in-kind formula. As it now stands, we are unable to reciprocate in cases where foreign governments offer us highly desirable senior level training on a tuition-free basis. The benefits of these military exchange programs are well known—they increase the number of U.S. and foreign students trained, expand the type of educational experiences, broaden the range and kinds of military-to-military contacts and enhance exposure to U.S. and foreign military doctrine, tactics and strategy. For all participants, the first-hand knowledge and familiarity with relevant cultural values of cooperating nations is an invaluable asset in broadening the education of our own military personnel and in forging better cooperative ties with our friends and allies. This proposal would further these objectives.

The second change proposes authorization for the sale of defense items manufactured in Government owned and operated facilities to private U.S. firms acting as prime contractors for incorporation into defense end-items for commercial

exports. The law now permits such Government furnished equipment to be sold to foreign customers only through foreign military sales (FMS) or Government-to-Government channels. By allowing sales of selected items to U.S. defense industries, we would be removing a real obstacle to management of certain transactions which those concerned agree should be made on a commercial basis. Such instances are few in number and we would insure that they would not adversely impact on U.S. force readiness.

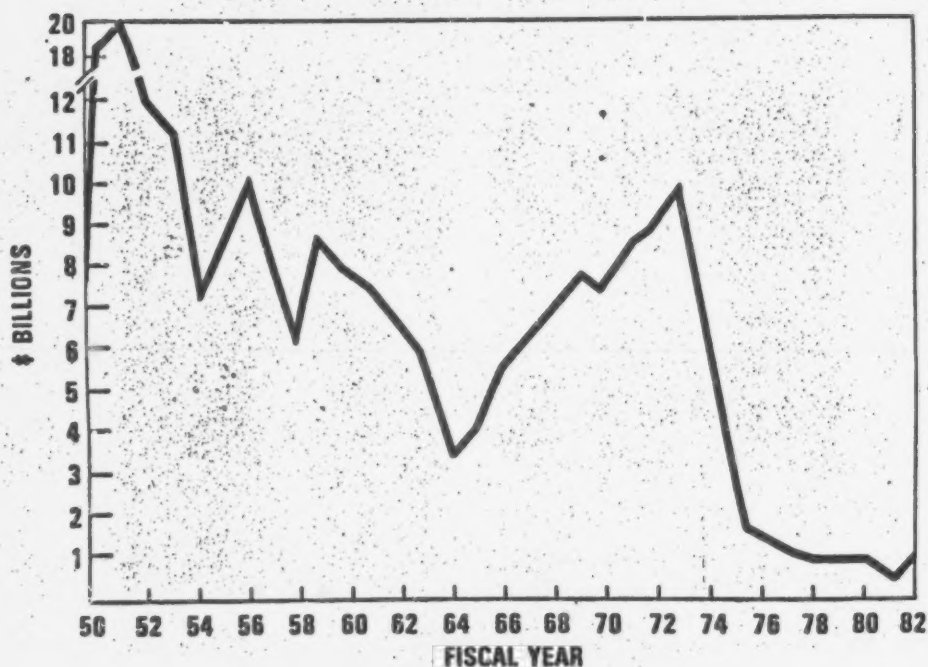
A third legislative change is intended to relieve our overseas (and, to a lesser extent, our CONUS) personnel from the onerous burden of using personal funds to cover the costs of carrying out their security assistance functions. This request seeks an amendment to the AECA to authorize the use of collections from FMS administrative surcharges to augment MAP appropriated funds for representational purposes. The amount of money we are seeking is extremely small (\$73,500). Setting aside a small portion of the returns from our FMS program would not require any budgetary outlays and would not be an added expense to the American taxpayer. The work of our people at field level, that is, those with the diplomatic missions in the foreign countries, is becoming more and more important as we sharpen the focus on this program as an essential instrument of our national security strategy. For the past several years, we have been administering programs steadily rising in value, volume, and complexity. On top of this, the rate of inflation in recent years has been steep. Yet, over the past 6 years, our representational funds have declined by more than 40 percent. We must ease the personal financial sacrifices our field personnel are asked to make in order to conduct their jobs in a professional manner. Mr. Chairman, I know from personal experience that the normal functions of our security assistance organizations cannot be carried out properly at current funding levels. To do so is not only unfair to our people, but also creates an unflattering reflection on the United States in the eyes of foreign governments.

Finally, we are proposing improvements in the congressional notification process involving requests for reprogramming international military education and training (IMET) funds. This proposal would establish a \$50,000 reprogramming threshold below which congressional notification would not be required. Our intent here is straightforward—we want to streamline the notification process, to relieve Congress, State and Defense of the large number of notices and to expedite the more rapid shifting of programmed country funds. Had the proposal been in effect in fiscal year 1981, 16 of the 30 IMET notices would not have been required; in the critical end-of-fiscal year August–September period, seven of the eight notifications would not have been required. Each of the proposed benefits of this proposal is important in itself; together, we believe, they provide a compelling rationale for amending section 634A of the AECA which now requires congressional notification for all IMET reprogramming.

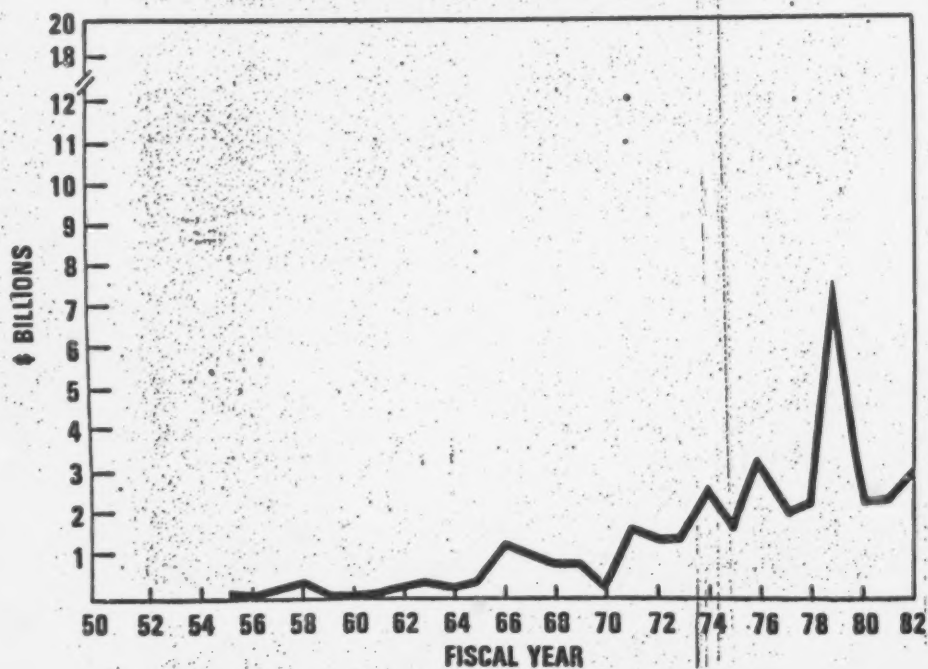
In conclusion, I want to return to the theme highlighted by Secretary Buckley and at the beginning of my statement. Security assistance is a complement to our defense budget and, when adequately funded and full-manned, directly contributes to the successful implementation of our defense policy. There was the closest collaboration possible between the Department of State and Department of Defense in developing the recommendations for the proposed fiscal year 1983 security assistance amendment. I know that I reflect the views of the Secretary of Defense when I urge the committee to give favorable consideration to the administration's security assistance proposals. Security assistance is a good investment for the United States—an investment in improved security, an investment in the U.S. economy, and an investment in the improvement of our foreign policy and defense posture.

That concludes my remarks. I would be pleased to answer any questions. Thank you.

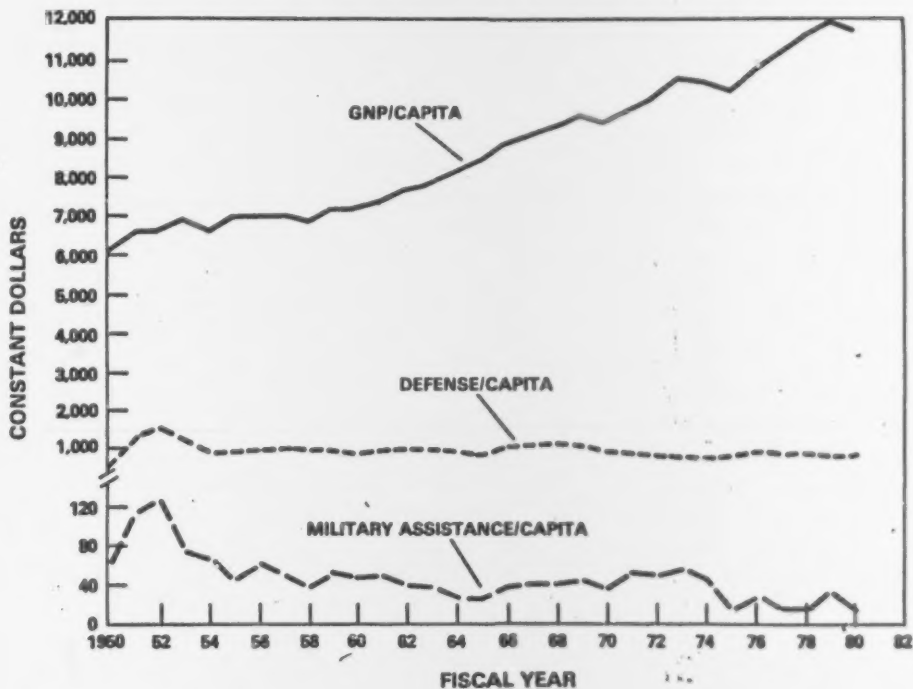
GRANT PROGRAM (CONSTANT FY 82 \$: BILLIONS)



FMS CREDIT PROGRAM (CONSTANT FY 82 \$: BILLIONS)



COMPARATIVE BURDEN



The CHAIRMAN. Thank you very much, General Ahmann. The committee will next hear from the Honorable Joseph C. Wheeler, Acting Administrator of AID.

STATEMENT OF JOSEPH C. WHEELER, ACTING ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT [AID]

Mr. WHEELER. Thank you, Mr. Chairman. I appreciate your including my full statement in the record, and rather than try to summarize that long statement, I would just like to say a few words by way of perspective in the field of development.

I happen to have worked with the Agency for International Development and its predecessor agencies for more than three decades. I think it is worth recalling the progress that has been made in the less developed countries during this period.

Back in the early fifties, life expectancy in much of the developing world was under 30 years. Today it is usually over 50. Smallpox is eliminated, malaria is down, health outreach programs are expanding, fertility rates are turning downward, even in such countries, large countries, as Indonesia and Mexico.

Back in the early fifties, only a small percentage of children ever attended school. Today, three-quarters enroll in primary school. In Nepal, 1 percent of the primary school-aged children entered school in 1955. Today, that figure is over 70 percent, more than one-half of a million.

Back in the early fifties, grain production in India was in the neighborhood of 50 million tons. Today, grain production in India is between 130 and 140 million tons. The growth rate in the less developed

countries [LDC's] as a whole has been running in the range of 4 to 6 percent, substantially faster than in the developed world, though from a very low base.

U.S. exports to the less developed world in the last decade expanded at a rate of over 20 percent each year, and now represent over 40 percent of our total exports. Likewise, imports often vitally needed for our industries have increased rapidly, so that our trade with these countries is both more important and more productive.

But this is not to say that the agenda for the decades ahead is not full. Indeed, we anticipate an increase in the world's population of some 2 billion people over the next 20 years. They need jobs, they need to be fed, they need schools, they need adequate health facilities.

Some parts of the world, particularly Africa, have lagged behind and special attention will be needed. New problems of fast urbanization, water shortages, deforestation, and energy supply are emerging. Enormous challenges lie ahead.

I simply want to stress that we are dealing with a very dynamic process in which real progress has been made. The United States has played a leadership role in providing help to the less developed countries during this period. This committee has consistently supported funding for this effort and shares credit for the successes achieved.

This budget which we are considering today has multiple objectives. Where aid is involved in administering these funds, we will continue to pursue the mandate of the law to make maximum use of the funds, consistent with all of the objectives to support economic and social development around the world. We will continue to search, with assisted countries, for the right set of policies to encourage the private sector and to utilize scarce government resources as effectively as possible. We will stress agriculture, health, population, education, and energy. We will emphasize institution building and training.

We hope with our help and with that of many other donors the developing countries can continue and even improve upon the progress that they have made over the past three decades.

Mr. Chairman, we appreciate that we are operating under a 2-year authorization. This being the case, our concern today primarily is with changes in that authorization. For AID, the most important aspect needing change will be the amount you authorize for operating expenses. The operating expenses account is in the development assistance category, but the staff it supports administers not only development assistance, but also the economic support funds and Public Law 480 funds.

With the combination of continuing inflation, especially overseas, and increased responsibilities for economic support funds, particularly in the Caribbean, the funding level we are requesting is especially important.

Thank you, Mr. Chairman.

[Mr. Wheeler's prepared statement follows:]

PREPARED STATEMENT OF JOSEPH C. WHEELER

Mr. Chairman, and Members of the Subcommittee, it is a pleasure to have the opportunity to appear before you to discuss the IDCA and AID budget request for fiscal year 1983.

I am especially glad to make this request in the context of our enacted appropriation for the current year. Your leadership, Mr. Chairman, has helped to foster a new awareness of the importance of foreign economic assistance and

the role it plays in U.S. foreign policy. We will continue to work closely with you and with members of your staff as we strive to further the progress made over the past year.

GENERAL DISCUSSION

In his statements during the past year at Ottawa and Cancun, as well as in his speech last fall before the World Affairs Council in Philadelphia, President Reagan made clear his intention that U.S. leadership in the area of foreign economic assistance will continue to grow.

Our concern with assisting the development of countries of the Third World is based on a growing convergence of interests between them and the United States. There is, first, a commonality of security interests between ourselves and many developing countries. They are important for our national security, as we are important for theirs.

Major aid recipients are located in areas of strategic importance—in the Middle East, Caribbean and Central America, in the Pacific Basin, the Horn of Africa and Southwest Asia. Other AID recipients are important suppliers of energy and other raw materials essential to our economy. In addition, the local and regional defense efforts of developing countries contribute to international peace and security, and thus enhance our flexibility and capability to respond to problems on a worldwide basis.

Second, U.S. political interests and our continuing role of leadership in a market-oriented international economy can be substantially buttressed or hampered by the cooperation or hostility of developing countries. There are a variety of worldwide issues, from protecting the environment, controlling the illicit drug trade, maintaining a functioning international monetary system, and preventing nuclear proliferation on which the cooperation of developing countries is vital to an outcome consonant with our national interest.

Third, interdependence continues to be the overriding reality of international economic relations. When we and other donors provide substantial development assistance to stimulate agricultural productivity in developing countries, the pressures on our own supplies and prices are lessened. When our aid encourages policy reform conservation and development of alternative energy sources in the developing countries, energy-related problems of our own economy are eased. When our assistance succeeds in helping slow down excessive population growth, it reduces future pressure on scarce economic resources, and it becomes less likely that a recipient country will require our assistance at some future time. When the U.S. and multilateral institutions help countries through difficult balance of payments crises, we preserve our trading partnerships and private-sector financial relationships. When development assistance is used to promote sound policies and stimulate economic growth in poor countries, we hasten the day when these countries can participate fully in the international economy and become strong and growing markets for U.S. goods and services.

Fourth, the humanitarian character of our assistance programs is evident throughout our fiscal year 1983 request. Our focus continues to be on the basic needs of people in developing countries. We will continue to use funds in our economic assistance programs administered by AID, to the maximum extent possible, to address the major problems confronting the recipient countries—inter-related problems of food scarcity, excessive population growth, inadequate infrastructure, depletion of natural resources and dwindling energy supplies. The Development Assistance and Economic Support Fund, together with the Public Law 480 program and refugee assistance program, play an important role in assisting the poor majority.

Our objective in development assistance is to pursue a balance between the needs of the present and the future. Current urgent needs must be dealt with, and we shall continue to help address these needs. But development is first and foremost long-term. In the long-term foreign trade and private financial flows will represent the major source of economic growth for most developing countries. However, we can assist and support the developing countries in establishing sound economic policies which will affect their economic performance and use our assistance to help them help themselves in preparing for the future.

Long-term development depends, to a large degree, on the nature of the policies followed by the developing countries themselves. By concentrating development assistance in those countries willing to pursue more open economies, and by seeking policy change in others, we intend to encourage adoption and implementation of policies conducive to long term economic development, including the in-

digenous private enterprise. We will thus be supporting of the economic growth and social development which are necessary to demonstrate that the free market is an efficient, effective vehicle offering the best hope of meeting the basic needs of the poor majority.

Our agency-wide private-sector thrust mobilizes U.S. private institutions—academic and agricultural, business and volunteers—in support of our assistance strategy. We seek mechanisms to share with developing countries the science, technology, management techniques of the U.S. private sector. Perhaps most important, our bilateral development assistance program will be increasingly a program of institutional development, a program essential to removing the roadblocks to technological innovation and productivity improvements.

Finally, we will work with the private sectors in the U.S. and the developing countries to devise measures that lead to greater direct private investment and private sector participation in the development process. Included will be developmentally oriented private sector projects, and advisory assistance to encourage open host country investment policies, investment institutions and information.

Despite the progress I noted earlier, the problems of the Third World remain substantial. Notwithstanding success in increasing food production by introducing improved technologies and removing disincentives from the food production system, the ability to provide adequate food for all citizens remains a major concern for many of the developing countries. Deforestation and attendant soil erosion has not only reduced fuel supplies, but has also reduced the amount of land suitable for farming. Excessive population growth continues to inhibit our progress in solving development problems. Lack of adequate health facilities and educational services not only mean a greater incidence of disease and illiteracy, but also further stifles developing nations' productive capacity.

The magnitude of development problems is such that we cannot rely solely, or even primarily, upon official economic assistance to solve them. We must adopt a coordinated approach embodying several mechanisms—greater private sector involvement, more emphasis upon technical assistance and institutional development, and more careful targeting of our resources to those countries which have policies consonant with sound and broadly-based economic development.

FISCAL YEAR 1983 BUDGET REQUEST

The budget request for fiscal year 1983 reflects the Administration's continued concern with striking a balance between the need to limit the growth of Federal spending and the need to provide adequate resources and incentives to meet our important foreign policy and development objectives.

Let me turn first to the budget request for AID. The economic assistance budget request represents, in total, a small increase over the fiscal year 1982 enacted appropriation. It reflects increased attention to the initiatives we began last year, particularly that of stimulating greater involvement of the private sector in our development efforts.

Our fiscal year 1983 budget reflects particular attention to effective targeting of limited foreign assistance resources. Country and regional activities have been reviewed carefully to ensure that proposed programs serve U.S. foreign policy and development objectives. The planned program in functional areas is concentrated in those activities where the United States has particular expertise: food production, education and training, energy, population and health.

For the fiscal year 1983 bilateral economic assistance program AID requests an appropriation of \$4.7 billion including \$1.8 billion for Development Assistance and \$2.9 billion for the Economic Support Fund. Development Assistance includes funding for functional Development Assistance programs, the Sahel Development Program, American Schools and Hospitals Abroad, International Disaster Assistance, Operating Expenses, and the Foreign Service Retirement Fund.

Approximately \$1.3 billion of the amount requested for Development Assistance is for the five authorized functional accounts. Of the amount allocated directly to country programs, 86 percent would go to "low income" countries—those with an annual per capita income below \$730.

For the Agriculture, Rural Development and Nutrition program, we are requesting an appropriation of \$700 million. This account remains the largest portion of the request for Functional Development Assistance, in response to the problem of inadequate food supply in the developing world. As I indicated, despite impressive gains in food production in some developing countries, many remain unable to meet their minimum nutritional needs.

The AID rural development program has three principal objectives: (i) to help increase and sustain the productivity and income of small farmers; (ii) to assist in the creation of employment opportunities for the rural poor; and (iii) to help improve access to, and utilization of, food.

To achieve these objectives, AID's program stresses the removal of economic policies inhibiting broadly based growth, the development of private and public sector capacity to foster increased agricultural production and employment expansion, the development and use of improved agricultural technologies, and the improvement of human resources, rural infrastructure and the natural resource base.

More than 40 percent of the request would go to Asia, the region with the largest share of the world's most seriously malnourished, where government policy reforms in countries such as Bangladesh and Indonesia are helping to increase host-country food production. Another 21 percent would go to Africa, where policy reforms are also underway in some countries, to help reverse the long-term trend of declining per capita food production.

Funds from this account also would be used to help developing countries address the problem of accelerating deforestation, which is threatening many areas in Africa, the Caribbean Basin, and Asia, resulting in critical shortages of fuelwood and causing extensive environmental degradation.

As in the past, a substantial portion of the funds requested would finance activities specified under Title XII of the Foreign Assistance Act, much of which is channeled through U.S. land-grant universities and other institutions eligible under that Title.

For Population, we request a fiscal year 1983 appropriation of \$201 million. Excessive population growth in the developing countries is one of the primary obstacles to the expansion of per capita food production, reduction of malnutrition and chronic disease, and LDC conservation of dwindling non-renewable resources. Despite recent encouraging reductions in birth rates in several developing countries, population in many others continues to grow at unprecedented rates. The slight reduction in fiscal year 1983 population budget below fiscal year 1982 does not indicate a reduced priority for population planning. Rather, the slight drop is principally the result of a one-time increase in the program in fiscal year 1982 to make up for short-falls in the fiscal year 1981 programs in Asia.

About 40 percent of the funds are for country programs, with the largest portion going to Asia, where several major national family planning programs are well underway. The balance of the request is for AID's centrally funded programs to support family-planning activities throughout the world, information, and commodities, plus related policy initiatives and applied research.

AID's programs emphasize the provision of voluntary family planning services for the rural poor through paramedical workers and the private sector. I wish to stress that the program does not fund or in any way encourage abortions, or research on this topic. In response to Section 104(d) of the Foreign Assistance Act, our population activities stress the importance of the links between family planning and the impact of programs in agriculture, rural development, health and education.

We are requesting an appropriation of \$114.1 million for Health activities in fiscal year 1983. Approximately 37 percent of health funds will go to Africa, reflecting the enormous need for basic health services in that region. Much of our assistance to Africa will support rural water and sanitation programs and immunization campaigns to combat the diseases of early childhood, as well as tropical diseases such as malaria and schistosomiasis, which are major causes of death and disability in the region. Primary health care programs are well under way in Asia and Latin America. In these regions, our focus is on expanding access to basic health services. In fiscal year 1983, we will be giving increased attention to programs in health planning and management, operations research, and in the transfer of proven health technologies.

Our request for Education and Human Resources Development totals \$116.4 million. The education situation in developing countries remains critical despite sizable increases in their budgetary allocations to education and significant gains in school enrollments over the past several decades. Most countries still have severe shortages of trained manpower available to administer development and other programs effectively. One out of every four school-age children in LDCs does not even enter primary school, and only half of those who enter will stay in school long enough to acquire basic skills. More than one-third of the 2.1 billion adults in the developing world are illiterate.

While the need for resources to assist the developing countries with their educational requirements far exceeds the availability of funds, our program provides assistance in selected areas where the United States has recognized expertise. The fiscal year 1983 program reflects the Administration's concern with increasing attention to manpower development and training, and the management capacities of educational institutions. The largest portion of our planned program is for training of administrators, managers, and scientific personnel to help recipient countries build the indigenous capacity to carry out their own development efforts. The program also provides continued assistance with the improvement and expansion of basic primary education for children and with vocational and technical training support for labor organizations, and related education activities.

More than one-third of the request would be allocated to Latin America, for manpower development activities and continued efforts to help reduce that region's high primary school dropout rates. About one-fourth would go to Africa where the acute shortage of trained administrators remains a major obstacle to development.

For the Energy, Private Voluntary Organizations, and Selected Development Activities account, we are requesting authorization and appropriation of \$166.8 million for fiscal year 1983, including \$10 million for activities in the Science and Technology program also authorized under this account. The increase in the Section 106 account reflects our intention to fund several very high-priority activities aimed at a number of development problems, including the need to address energy environment and natural resources problems such as loss of agricultural land and water pollution, increasing unemployment and problems associated with rapid urban growth.

As I have already pointed out, the planned activities place high priority on mobilizing greater involvement of the private sector—both U.S. and LDC—in development, including greater reliance on private and voluntary organizations. Approximately one-third of the request would be used for private enterprise activities, half of which would go to Latin America for such activities as promotion of cooperative banking, small business development and technology transfer. More than \$20 million would go to the new Private Enterprise Bureau for investment packaging, technical assistance, and related activities.

The request also includes substantial funding for energy-related initiatives (such as energy management and research on alternative energy sources) and for support of U.S. private and voluntary organizations.

For programs of scientific and technological cooperation, we are requesting \$10 million for fiscal year 1983 within the amount proposed for Section 106, under which such activities are authorized for fiscal year 1983. The request includes funding for small competitive grants to stimulate innovative research approaches to development problems, and to build indigenous science and technology capacity in the developing countries.

For the Sahel Development Program, we are requesting a fiscal year 1983 appropriation of \$93.8 million to fund the sixth year of U.S. support of a multilateral effort to help drought-ravaged West African countries achieve greater regional self-sufficiency in food production and general self-sustaining development. In response to past problems, AID is taking a number of steps to improve financial management of the program, including measures to assure better control of funds at the project level and to strengthen host-country financial and program management.

For American Schools and Hospitals Abroad, we are requesting \$7.5 million for fiscal year 1983 to continue support of overseas U.S. schools, hospitals and libraries which serve as demonstration centers for American ideas and practices in education and medicine. We plan to continue to give emphasis to geographic dispersion of the program, with special priority to institutions in less developed countries. We are requesting \$25 million for fiscal year 1983 to provide emergency assistance to countries struck by natural disasters such as floods, hurricanes and earthquakes, and by war, civil disturbances and other natural or manmade catastrophes. The program also supports assistance in disaster prediction and preparedness.

The fiscal year 1983 request for the Economic Support Fund is \$2.9 billion for economic assistance in support of critical U.S. foreign policy interests in areas of strategic concern to the United States. More than one-half of the request, a total of \$1.6 billion is for the Middle East, principally for Egypt and Israel, to support continued U.S. efforts to bring peace to the region.

The ESF request also includes a total of \$326 million for strategically important countries in Central America and the Caribbean Basin, including \$105 million to continue support for the government in El Salvador.

\$350 million will go to Turkey, as part of a multi-donor effort to help that country deal with its balance-of-payments problems. A total of \$325 million is allocated to countries and regional programs in Africa; and \$234 million is provided to Asian countries, of which \$175 million is for Pakistan.

In addition, the request includes \$75 million for a high-priority ESF Special Requirements Fund, to permit quick U.S. response to unforeseen needs for economic assistance in strategic areas. \$50 million of this amount is earmarked for the Caribbean Basin and is included in the \$326 million.

I would like to turn now to the request for other programs in which IDCA is involved.

Public Law 480

Food aid remains a principal element of our foreign economic assistance program. We use food to address the problems of agricultural development in LDCs (production and policy reform) and health and malnutrition, thereby increasing productivity to help break the vicious cycle of low production and extreme poverty. In the past year, we have increased our efforts to integrate Public Law 480 programs more fully with our overall country strategies and programs. We hope through our efforts not only to provide food to those who are in need, but also to teach them to help themselves to meet future food requirements.

The fiscal year 1983 Public Law 480 request totals \$1.5 billion for all titles. The slight increase in the Public Law 480 dollar level from fiscal year 1982 to fiscal year 1983 must be viewed in context. The total fiscal year 1983 Public Law 480 program level increased by \$28 million or 2 percent over fiscal year 1982 levels, although when discounted for inflation, it will provide for the shipment of approximately 175,000 less tons of food than that shipped in fiscal year 1982 due in part to projected higher commodity prices.

The Title I request is \$859 million, including \$91.6 million to meet the cost of shipping at least 50 percent of Public Law 480 commodities on U.S. flag vessels. Fiscal year 1983 funds will provide for the shipment of approximately 3.25 million metric tons of food. We expect to have Title III Food for Development Programs totaling \$146 million in fiscal year 1983 (18 percent of total country allocations).

For fiscal year 1983, the Title II request is \$650 million, including \$250.0 million for ocean transport and overland delivery to land-locked countries. We will provide 1.2 million metric tons of food for non-emergency programs of Voluntary Agencies and the World Food Program, and 400,000 metric tons for emergency/refugee requirements. This total tonnage is less than fiscal year 1982 principally due to reduced estimates of emergency/refugee needs. In fiscal year 1983, approximately 890,000 tons of Title II food, valued at \$243.5 million, will be donated to Voluntary Agencies and 314,000 tons of food, at a cost of \$75 million, will be allocated to fulfill our pledge to the World Food Program.

Overseas Private Investment Corporation

The Administration is requesting authority that would permit OPIC to issue up to \$100 million in loan guarantees and \$10 million in direct loans in fiscal year 1983. These funds guarantee authority will be used with OPIC's insurance authority, to finance private investment projects in developing countries, with special emphasis on projects in the Caribbean Basin. OPIC plays an invaluable role in the foreign assistance program because it facilitates the participation by private American investors in the economic and social development of Third World countries.

Voluntary contributions to international organizations and programs

The budget request for voluntary contributions to international organizations and programs totals \$173.25 million. This request supports voluntarily-funded development and humanitarian assistance programs of the United Nations (U.N.) and the Organization of American States (OAS). More than three-quarters of the requested funds are for two major U.N. programs—the U.N. Development Program and UNICEF. Other significant but more specialized assistance funded by this account includes U.S. contributions to the International Atomic Energy Agency, the U.N. Capital Development Fund, and the assistance programs of the Organization of American States.

Trade and development program

The fiscal year 1983 request for the Trade and Development Program (TDP) totals \$10.5 million. TDP plays a unique role in fostering the development of developing countries while promoting trade opportunities for the United States and generating revenue from the sale of technology, goods and services. We are targetting TDP's funds at the critical stage of the planning process where U.S. firms competing with foreign firms are in the final stages of bidding for feasibility studies for large-scale projects. We are instituting procedures to seek reimbursement from U.S. firms which perform feasibility studies funded by TDP and are subsequently awarded follow-on contracts.

International Fund for Agricultural Development

The fiscal year 1983 request for the International Fund for Agricultural Development (IFAD) totals \$65.4 million. This amount represents one installment of the \$180 million U.S. contribution authorized by the Congress. The Administration supports IFAD's objective; that is, to assist the developing countries in increasing agricultural production in support of the broader goal of reducing hunger and malnutrition. Concern over the level of contribution by OPEC members and attempts to expand the Fund's permanent staff, which resulted in denial of an appropriation for fiscal year 1982, has been resolved with an agreement to freeze permanent staff positions and a replenishment agreement to increase OPEC members' contributions to \$450 million.

Multilateral development banks

The budget request for multilateral development banks (MDBs) reflects the Administration's commitment to honor cost-sharing arrangements which have already been negotiated internationally. For all institutions, except one, arrangements had already been negotiated prior to 1981 and the budget request provides funds to meet these commitments.

For the World Bank, the request provides the final \$16.3 million in arrearages from the 1977 Special Capital Increase and the second installment, \$109.7 million, of the U.S. paid-in share of the Bank's General Capital Increase. For the International Development Association, the fiscal year 1983 request is \$945 million. For the Inter-American Development Bank, our request is \$62.4 million for the capital window, completing United States financing under the last capital increase, and \$221.7 million in soft-window financing for the IDB's fund for special operations. The request for the Asian Development Bank and Fund includes \$248,000 in arrears to the hard window and \$131.6 million for the last installment of ADF III and partial arrearages remaining from the prior replenishment.

Only the \$50 million request for the African Development Fund represents a newly negotiated MDB contribution. Earlier this month, the United States reached agreement with other donors that subject to obtaining legislative approval it would provide \$150 million over fiscal year 1983 to 1985 to the third replenishment of this Fund, compared to the \$125 million the United States supplied under the prior replenishment. The administration is requesting no appropriations for the African Development Bank, pending that institution's formal opening to non-regional membership.

MANAGEMENT INITIATIVES

Mr. Chairman, I would like to return to the role of AID Administrator and give a brief summary of my overall management objectives for AID: what we set out to do last year, what we have accomplished and what we plan to accomplish in fiscal year 1983.

Implementation improvement began last spring with a top management analysis of AID projects obligated in prior years. Special attention was given to troubled projects, particularly those not being implemented in a timely fashion.

This review resulted in the total fiscal year 1981 deobligation of \$74 million. Through this exercise, we sensitized AID management at all levels to the need for rigorous portfolio as a continuing process. We made it clear by this action that we are willing to make hard decisions when our projects are not working. On a semiannual basis, it is now expected that operating bureaus will refer troubled projects to responsible Washington staff or to Missions for corrective action. This continuing process will produce either deobligations or corrective action, sometimes requiring radical restructuring of individual projects.

One factor previously inhibiting performance in the field was the limited ability of Assistant Administrators and Mission Directors to act on their own authority. This has been changed. We have increased the delegation of project authority to the Assistant Administrators in Washington, and from them to the Mission Directors, from \$10 million to \$20 million. We have selectively authorized the Mission to approve projects with a longer life, doubling their authority to approve projects from 5 years duration to 10 years. On a selective basis, we have also increased the Missions' authority for operational program grants to U.S. private voluntary organizations from \$0.5 million to \$1 million. Through these expanded delegations of authority, we expect to slash considerable time and cost from the contracting and project approval processes.

The second area of administrative streamlining at AID was our program of reductions in personnel. We made every effort to implement the reduction program without crippling our operational capacity overseas. Since the bulk of our programs are implemented in the field, we felt that it was important not to impair our ability to carry out these responsibilities. We have been able to meet our lower personnel ceilings without reducing either flexibility or capacity in our country Missions.

Also, we were determined to reduce redundancy and inefficient use of Washington personnel. For instance, in the 10 percent reduction in headquarters, we eliminated numerous duplicative policy and contract review procedures conducted by the various bureaus. The reductions forced limited reorganizations within the headquarters units, the effect of which was to reduce the shuffling of paper and layers of review within those bureaus.

We are also carefully examining a number of different functions both in the field and in Washington which might be contracted out. To the extent that contracting out is cost-effective, we would hope to achieve both lower personnel levels and the attendant lower operating costs. Contracting out is not a panacea, but it is an important element of flexibility.

We have achieved a substantial personnel decrease in Washington without utilizing the "reduction-in-force" (RIF) mechanism. I am committed to strong management, and I intend to take all necessary steps to avoid the management problems a RIF creates. To achieve the reduction through attrition, we have instituted a selective Washington hiring freeze, and, began a replacement program to put occupants of eliminated positions into vacancies in continuing positions. We will complete this program later this summer.

At the same time, we are maintaining the staffing levels for the Inspector General's program at a time when the Agency is reducing its overall personnel levels. In fact, our Inspector General program was exempted from the sharp personnel reduction in on-board strength imposed elsewhere in Washington. Currently, only the Inspector General's office is proceeding with normal hiring.

OPERATING EXPENSES

AID is requesting \$376.0 million in new budget authority to fund its fiscal year 1983 operating expenses. This represents a \$45.0 million increase over the fiscal year 1982 appropriation of \$331.0 million. However, it should be noted that \$9 million of this increase is to cover the fiscal year 1983 cost of the October 1981 pay raise and the January 1982 lifting of the cap on salaries of Federal employees, costs which are not included in the fiscal year 1982 appropriation of \$331.0 million. In spite of an overall decrease in personnel from fiscal year 1982 to fiscal year 1983 of 100 workyears, fiscal year 1983 salary and benefit costs will remain at about the same level as the fiscal year 1982 levels adjusted for the pay raises which took effect this year. This reflects full-year funding in fiscal year 1983 of the fiscal year 1982 pay increase and various provisions of the Foreign Service Act of 1980.

The Agency has taken several steps in the past year, and plans further actions in the future, to minimize the impact on the operating expense budget of rapidly escalating prices overseas and in Washington. The use of the Section 636(c) authority in the FAA to purchase residences and office buildings in past years is beginning to pay off. Funding required for rents and utilities overseas is projected to increase only 6 percent from fiscal year 1982 to fiscal year 1983. While no funds are available in fiscal year 1982 to cover Section 636(c) acquisitions, we are requesting \$3.0 million in fiscal year 1983 so that we may continue this trend in reducing rental payments in future years. Unfortunately, this avenue of relief is not available for our Washington operations.

As a result of our increased review and analysis of Foreign Affairs Administrative Support (FAAS) budgets and bills received from the Department of State, sharp reductions in this element of costs have been possible. Thus, we are projecting only a \$3.0 million increase in FAAS costs in fiscal year 1983, for a level of \$23.0 million. An increase in funding for training of the Agency's staff is being requested in fiscal year 1983. Training is essential if we are to increase the efficiency and effectiveness of our personnel, especially increased language training being given to personnel scheduled for overseas assignments. While language training is the largest single category in our training budget, other types of training are equally important such as that relating to project design and implementation, management (both project and non-project), and specialized training in areas such as agriculture, energy, and population.

AID's budget request for 1983 is the minimum amount necessary to carry out the operations of the Agency. However, it must be emphasized that the inflationary effects of doing business overseas accounts for almost three-fourths of the increase included in this request. For example, the cost of moving employees, family members, their household effects and related office supplies will increase \$2 million in fiscal year 1983. Nevertheless, the Agency will continue to maintain its scrutiny and management of the operating expense budget to ensure that it represents only the minimum essential requirements of the Agency.

Thank you, Mr. Chairman, I would be happy to respond to any questions you or your colleagues might have.

The CHAIRMAN. Thank you. Ambassador Sayre, we are happy to hear from you.

STATEMENT OF HON. ROBERT M. SAYRE, CHAIRMAN, INTERDEPARTMENTAL GROUP ON TERRORISM, DEPARTMENT OF STATE

Ambassador SAYRE. Thank you, Mr. Chairman. I want to submit my statement for the record on the antiterrorism training program, but I will summarize it briefly.

The objectives of this program are to enhance the law enforcement antiterrorism skills of friendly countries, to strengthen our bilateral ties with friendly governments by offering concrete assistance in this area of great mutual concern, enhance cooperation in antiterrorism with the developed countries by cultivating ties between their officials involved in combating terrorism and those in the United States, increase respect for human rights by foreign civil authorities by exposing them to modern and humane methods of effective preventive anti-terrorism techniques, enhance the ability of foreign governments to protect U.S. overseas missions from terrorist attacks, contribute to the safety of Americans traveling overseas by lessening the likelihood that they will be caught up in an act of international terrorism such as aircraft hijacking.

Under this proposal, we would train civil and police authorities to respond to terrorist acts. Training would be offered in such areas as antiterrorism precautions, incident management, hostage and barricade negotiation, airport antihijacking security measures, bomb disposal, and dignitary and facility protection.

Specifically, we are requesting amendment of the Foreign Assistance Act to authorize provision of an antiterrorism assistance authorization of \$5 million for this purpose in fiscal year 1983.

Why does the administration consider this program as necessary? The number of international terrorist incidents has increased dramatically. They were 142 in 1968 and 709 in 1981. Diplomats are increasingly the target, with an increase from 80 attacks in 1968 to 409 in 1981. The United States has been the principal target.

Europe has the highest level of terrorist activity. Latin America is second. Some 91 countries have been the targets of terrorist attack. So we are deeply concerned about the terrorist threat.

This committee is well aware of what we are doing unilaterally to protect all personnel and missions. International cooperation is also essential to an effective effort to combat terrorism. No one nation can do it alone simply because of the very nature of terrorism. Cooperation can take many forms, including the exchange of information, tighter controls on the movement of weapons and explosives, more effective extradition procedures, and discouraging support for terrorist groups.

States with diverse forms of government in all parts of the world share a common interest in eliminating terrorism by taking concrete steps to attain common goals. We also believe more direct cooperation is essential. Our proposal to provide antiterrorism training and assistance is one type of cooperation.

When terrorist incidents occur overseas, we look to the local government to discharge its responsibilities under international law to protect all persons of interested governments. We propose to provide training for key civil officials. They would include senior police, civil aviation, immigration, and other officials responsible for urban and national civil administration. It would include military officers seconded to civilian positions.

We plan to concentrate, at least at the beginning of the program, on training of officials who are responsible for crisis management in participating governments.

Based on the participating government's evaluation of its own specific needs, we would provide more specific training for middle manager level officials. For instance, we would offer to train the actual hostage negotiator, the officer directly responsible for airport security or the official who would be the onsite police commander for an incident such as the seizure of an embassy.

We intend to provide this training at existing Federal institutions in the United States, using the expertise of several domestic agencies. The primary facilities to be used are the FBI Academy at Quantico, Va., the Federal Law Enforcement Training Center at Glynco, Ga., and the Transportation Safety Institute at Oklahoma City, Okla. We do not plan to provide training programs overseas or to assign advisers permanently overseas.

In addition to training, we plan to provide some related equipment to complement specific courses. For instance, passenger and baggage screening equipment for airports might be offered in connection with an airport security course. As with the training program itself, we would provide this equipment on either a grant or a sale basis, depending upon the financial capability of the participating country.

While training and equipment would be offered primarily to countries which need to improve their capabilities, we will use this program to enhance cooperation with our friends and allies among the developed nations. With them, we hope to coordinate our efforts to assist Third World countries and to expand the sharing of information on terrorism.

A key question in the administration of this program obviously concerns the selection of participating countries. For the first year, we intend to draw on a list of countries we consider to be likely partici-

pants on the basis of general criteria. We will consider countries which face a terrorist threat, actual or potential; are committed to participate in combating terrorism; wish to cooperate bilaterally with the United States against terrorism; and have a human rights record compatible with U.S. legislative criteria for the receipt of U.S. Government assistance.

We intend to consult with you on the list of countries which we believe meet these criteria. This program will be administered by the Department of State in a manner similar to training activities conducted in connection with the international narcotics control program.

We have transmitted authorizing legislation for this program in the International Security and Development Cooperation Act of 1982. That proposed legislation will authorize this program notwithstanding the provisions of section 660 of the Foreign Assistance Act relating to prohibitions on police training.

Thank you very much.

[Ambassador Sayre's prepared statement follows:]

PREPARED STATEMENT OF HON. ROBERT M. SAYRE

ANTI-TERRORISM TRAINING

Mr. Chairman and Members of the Committee: I appreciate this opportunity to testify on behalf of a new program which is a major element of the President's program to combat and deter international terrorism. Specifically, we are requesting amendment of the Foreign Assistance Act to authorize provision of anti-terrorism assistance authorization of \$5 million for this purpose in fiscal year 1983.

Under this proposal, we would train civil and police authorities to respond to terrorist acts. Training would be offered in areas such as anti-terrorist precautions, incident management, hostage and barricade negotiations, airport anti-hijacking security measures, bomb disposal, and dignitary and facility protection.

The program will:

- Provide training courses in anti-terrorism skills for friendly, developing countries subject to a terrorist threat;

- Provide limited amounts of appropriate anti-terrorist equipment to complement specific training programs;

- Arrange training and information exchange on a reimburseable basis at U.S. facilities for officials of friendly, developed countries to enhance the sharing of anti-terrorism expertise as part of the President's overall program to combat international terrorism.

The objectives of this program are to:

- Enhance the law enforcement anti-terrorism skills of friendly countries.

- Strengthen our bilateral ties with friendly governments by offering concrete assistance in this area of great mutual concern.

- Enhance cooperation in anti-terrorism with the developed countries by cultivating ties between their officials involved in combatting terrorism and those in the USG.

- Increase respect for human rights by foreign civil authorities by exposing them to modern and humane methods of effective preventive anti-terrorism techniques.

- Enhance the ability of foreign governments to protect U.S. overseas missions from terrorist attacks.

- Contribute to the safety of Americans traveling overseas by lessening the likelihood that they will be caught up in an act of international terrorism such as aircraft hijacking.

Before I describe our proposal in more detail, let me outline the key considerations which have led the President to propose this important new initiative. There is a growing terrorist threat in the world today, which is graphically demonstrated by the following statistics:

The number of international terrorist acts—violent crimes such as assassination, skyjacking, hostage taking, and bombings—has increased from 142 in 1968 to 709 in 1981.

Attacks against diplomats have increased from 80 in 1968 to 409 in 1981.

The United States has been the principal target of international terrorist attacks; about one-third have been against American targets. Five American Am-

bassadors have been murdered in terrorist attacks, more than the number of U.S. Generals killed in action in Vietnam. The murder of Colonel Ray in Paris and the kidnapping of General Dozier are two recent attacks against Americans.

Nor has American business abroad been spared. Between 1968 and 1980 there were 901 attacks against American business executives or facilities.

Other innocents have suffered both as targets, such as the infamous slaughter at Lod Airport in Israel, or as bystanders, as in the bombing of the Bologna train station in 1980.

Some 91 countries have been the target of international terrorist attack.

The statistics I have quoted relate to international terrorist acts—that is, they do not include terrorist attacks which have occurred inside various countries against domestic victims. We have also experienced terrorist crimes in the United States committed by American terrorists, as well as attacks here by terrorists from other countries, usually directed against non-American targets such as Turkish or Yugoslav diplomats resident here.

Today I would like to emphasize two aspects of the terrorist threat: its political significance and its international character.

The numbers of individuals who have been personally touched by terrorist acts—those who have been killed, wounded, or kidnapped, and their relatives and friends—represent a human tragedy. At the same time they represent a political challenge. In a sense most of these individuals were symbols, not targets. The purpose of their suffering, from the point of view of the terrorist perpetrators, was to influence someone else. The long-term challenge of terrorism is the effect it has on responsible governments and government officials. As Lenin once said, “the aim of terrorism is to terrify.” The terrorist objective is to obtain or exercise political power by threatening and frightening, ultimately to intimidate, those whom he cannot influence in normal political ways.

The terrorist rejects the validity of the peaceful political process. He elevates violence to doctrine. He deliberately confuses means and ends and thereby threatens the framework of modern political society.

As serious a threat as this is to well established democratic governments such as ours, it is potentially fatal to developing countries and governments many of whom are still in the process of creating permanent institutions and stable democratic structures. The terrorist understands the fragility of such governments, and is well aware of the potential destructiveness of his actions. Terrorists set out to destroy existing structures and to frustrate efforts to build new ones.

A subject of intense interest today, involving some controversy, is the international character of terrorism.

The problem of terrorism has several international aspects. First, there are undeniable links between many terrorist groups. Whether these links are those of a tightly organized and controlled conspiracy or merely those of varying degrees of cooperation is being intensively investigated by the Administration. We know that among various terrorist groups there are exchanges of information, expertise, training, money, weapons, ideology, and general support. These connections seriously complicate the efforts of responsible governments to deal with terrorist acts.

Second, there are undeniable links between various terrorist organizations and governments. Libya, Syria, the People's Democratic Republic of Yemen, and Cuba have been identified as repeated supporters of acts of international terrorism. Such government support, as well as trans-national linkages, is a menace to the international community, and seriously complicates the efforts of responsible governments to control terrorism within their own territory.

Third, terrorists like criminals, cross borders, which makes it virtually impossible for a single government to deal effectively with the terrorist threat. Even if a particular terrorist group is completely unconnected with any government or other group, the movement of people and equipment between countries poses a serious practical problem for responsible governments.

Finally, terrorists have increasingly begun to attack target governments outside of their territories; for example by attacking diplomats resident in a third country. This tactic is certainly of international concern, because it poses a threat to the entire international diplomatic establishment.

President Reagan is deeply concerned about the terrorist threat and is determined to do something about it. United States policy in this area is multi-fold. We are taking unilateral policy steps against nations which support or abet terrorism. Libya is a current example. We are also increasing the security of U.S. diplomatic missions.

However, international cooperation is also essential to an effective effort to combat terrorism. No one nation can do it alone simply because of the very nature

of terrorism. Cooperation can take many forms, including the exchange of information, tighter controls on the movement of weapons and explosives, more effective extradition procedures, and discouraging support for terrorists groups. States with diverse forms of government, in all parts of the world should share a common interest in eliminating terrorism by taking concrete steps to attain common goals.

However, we also believe that more direct cooperation is essential. Our proposal to provide anti-terrorism training and assistance is one type of cooperation. When terrorist incidents occur overseas, we look to the local government to discharge its responsibilities under international law to protect all persons within its boundaries. This includes protection from acts of terrorism.

This training program will directly assist other countries to better deter, prevent, and deal with terrorist incidents. It is with these thoughts in mind that we have developed the program we are presenting today. It is designed to further international effectiveness in combatting terrorism by assisting countries in fulfilling their share of that international obligation and in pursuing our common objectives.

Many countries are relatively ill-equipped to deal with this problem. Key civil officials, primarily those officials responsible for the maintenance of law and order, could benefit from our experience in dealing with this problem.

Accordingly, we propose to provide training for key civil officials of interested governments. They would include senior police, civil aviation, immigration and other officials responsible for urban and national civil administration. We plan to concentrate, at least at the beginning of the program, on training of officials who are responsible for crisis management in participating governments.

Based on the participating government's evaluation of its own specific needs we would provide more specific training for middle manager level officials. For instance, we could offer to train the actual hostage negotiator, the officer directly responsible for airport security, or the official who would be the on-site police commander for an incident such as the seizure of an embassy.

We intend to provide this training at existing Federal institutions in the United States, using the expertise of several domestic agencies. Primarily facilities to be used are the FBI Academy at Quantico, Virginia, the Federal Law Enforcement Training Center at Glynco, Georgia, and the Transportation Safety Institute at Oklahoma City, Oklahoma. All of the training we plan to provide to foreign participants already exists and is being given to Federal, State and Local officials and, in some cases, to foreign officials (notably the aviation security courses). We do not plan to provide major training programs overseas, or to assign advisors permanently overseas.

In addition to training, we hope to be able to provide some related equipment to complement specific courses. For instance, passenger and baggage screening equipment for airports might be offered in connection with an airport security course, and explosive ordnance equipment might be provided in connection with a bomb disposal program. The key consideration in the authority to provide equipment of this sort would be the direct connection with particular training, and would be designed to enable those trained to efficiently fulfill their responsibilities.

As with the training program itself, we would provide this equipment on either a grant or a sale basis, depending on the financial capability of the participating country.

We do not expect that the equipment part of our proposed program would ever take up a very large part of the over-all anti-terrorism cooperation budget provided for in this program.

We do view it as an important supplement, designed to enable the participants to use the skills they learn in the training courses.

While training and equipment would be offered primarily to countries which need to improve their capabilities, we will use this program to enhance cooperation with our friends and allies among the developed nations. With them, we hope to coordinate our efforts to assist third world countries and to expand the sharing of information on terrorism.

A key question in the administration of their program obviously concerns the selection of participating countries. For the first year, we intend to draw on a list of countries we consider to be likely participants on the basis of general criteria. We will consider countries which:

1. Face a terrorist threat, actual or potential;
2. Are committed to participate in combatting terrorism;
3. Wish to cooperate bilaterally with the U.S. against terrorism; and
4. Have a human rights record compatible with U.S. legislative criteria for the receipt of USG assistance.

We intend to consult with the Congress on the list of countries which we believe meet these criteria. In succeeding years, we would expect to provide Congress with an annual report of participating countries, plus a list of potential participants for the following year. I would like to emphasize that this program will be completely open and unclassified.

This program will be administered by the Department of State, in a manner similar to training activities conducted in connection with the International Narcotics Control Program. We intend to provide additional staff to the State Department's Office for Combatting Terrorism, which will be the focal point for the Department's management responsibilities. As I stated earlier, actual training will be provided, on a reimbursable basis, by other USG agencies which are expert in the required fields of instruction. Contact with potential participating countries will be through normal diplomatic channels.

We have transmitted authorizing legislation for this program in the International Security and Development Cooperation Act of 1982; this includes an authorization of \$5 million in fiscal year 1983, \$4.6 million for the training and some equipment transfer and \$400,000 for related management and administrative costs.

The proposed legislation would authorize this program, notwithstanding the provisions of Section 660 of the Foreign Assistance Act relating to prohibitions on police training.

We believe this amount of money will be adequate for the first year during which we hope to provide training to as many as 1,000 foreign participants from between 15 and 20 countries. Using the experience of other USG international exchange programs we estimate an average cost of approximately \$4,000 for each trainee. Courses will run from one week to five or six, and we are using an average of three weeks for cost estimates. Costs will be somewhat lower than those for most international exchange programs as the per diem maintenance rates are quite reasonable at FBI and Federal Law Enforcement Training Center facilities, particularly when compared with full per diem for individual travel around the United States.

We are expecting that some participating countries will pick up part, for instance the international travel, if not all the costs for their trainees.

We have formulated this program with due consideration to the concerns which led to the enactment of Section 660. This present proposal has been purposefully designed to deal with the specific problem of combatting international terrorism. We will not be training policemen as policemen. We will be attempting to assist threatened governments to make a more significant contribution to a world-wide effort in cooperation with us and other like-minded governments.

This Administration is convinced that present day political terrorism poses a serious threat to us, to our friends, and to organized international society. We believe that an international effort is necessary to deal with that specific danger. We do not intend to become terrorized by terrorists; instead, we intend to defeat them in cooperation with our friends. We believe it is in our interests to assist our friends with deeds as well as exhortation.

Thank you.

The CHAIRMAN. Thank you very kindly. Senator Pell has to leave at about a quarter after the hour, so we will have time to proceed under the 10-minute rule.

Senator Pressler, will that allow you time to ask your questions if you begin at a quarter after, before you have to leave?

Senator PRESSLER. Yes.

The CHAIRMAN. Fine. I would like to put the first question to you, Secretary Buckley, considering that you are testifying on the entire 1983 foreign assistance program for the entire world. What proportion of that program is earmarked for two countries, Israel and Egypt?

Could you break it down by security assistance? Your total request is \$8.7 billion. The figures I have for Israel are \$2.5 billion, and for Egypt \$2.05 billion, for a total of \$4.55 billion, which is something like 52 percent.

Looking at problems throughout the world as we do, looking at the trouble spots that we have, taking into account that Israel and Egypt

are not exactly directly focused upon, say, gulf security, can we justify 52 percent of our entire world security assistance budget going to two countries?

Mr. BUCKLEY. It is a very large share of the pot, certainly. But I think we have recognized for years the critical nature and importance of the Middle East. This is where hostilities in fact have broken out, where a chain reaction would very well be possible if new hostilities were to come to the fore.

Peace has not yet been established between the State of Israel and all her neighbors. We believe an important step has been achieved through the Camp David process, which must still run its course. So on balance we feel, yes, this is a deployment of funds that is essential to our safety.

The CHAIRMAN. When you indicate that the figures you are asking for represent a program increase of \$1.65 billion, that is \$1,650 million, and a budget increase of \$1 billion over the amounts we already have authorized, last year Senator Pell and I, with the unanimous support of the committee, cut the Reagan budget by \$600 million. That stood up. It stood the test of time.

It would have been unbecoming for us at the end of the year, in the budget crunch we were in, to have budgeted the original amount that was given to us. So we settled on that basis. We, therefore, went ahead and authorized the same amount for fiscal year 1983 feeling that the budget crunch this year would be even greater, as it indeed has turned out to be, and the deficit much larger. There is much more of a problem.

Can you really justify requesting this percentage increase, taking into account the overall, without say going back to the Defense Department and saying, look, what we are doing in large measure is providing, in accordance with the policy adopted years ago, for security assistance to countries that furnish their own troops and their own efforts to defend their own lands and areas, which are vital to us?

Is it not better for you to cut your budget and provide these funds for us, rather than to come up for a supplemental to the budget with their additionality remaining firm? Can you justify that, which puts us in a position of adding to a budget when everyone else is slashing their budgets to the bone? Indeed, here we would be adding to the budget by about a billion dollars.

Mr. BUCKLEY. Mr. Chairman, I think the simplest way to address this subject is to suggest that if there is an arsonist loose you do not cut back on your fire department. We are not casually recommending increases, but are trying to meet urgent necessities that keep on cropping up in different parts of the world.

In terms of the gross figure that you talked about, the budget authority of \$1 billion, \$275 million is represented by an increase in anticipation of the Spanish-base negotiations. These bases in our judgment are critically important to the well-being and safety of NATO and of our larger interests in that part of the world; \$300 million involves an increase for Israel that was discussed at great length with the Congress last year. This helps Israel meet the incremental threat created by the enhancement of the F-15's sold to Saudi Arabia; \$275 million represents another program discussed at great length with the Congress last year, and that was the initiative vis-a-vis Pakistan.

In those three items alone you get \$850 million. On top of that, we have increased economic support funding by \$322 million, which accommodates, for example, the Caribbean basin initiative. It makes no sense to go forward with the \$350 million Caribbean supplemental right now and then drop off to business as usual next year.

The CHAIRMAN. I want to ask you a question about "voodoo economics," a popular phrase. But you understand this process and forthrightly have laid it out. There is no secret about it. But it is still a phony.

Of the \$8.7 billion security assistance program, you reiterate very clearly, forthrightly, and right on the record that only \$4.8 billion requires budget authority. Somehow or other, \$3.9 billion is tucked away someplace and isn't in the budget. It is in the form of off-budget FMS guarantees.

Now, if we ever file our financial disclosures, as we do, and we list our liabilities and I am a guarantor for a loan, as I am, I list that as a liability because the one I am guaranteeing it for may not pay it. We don't know whether these are going to come back to us.

What right do we have to call \$3.9 billion of guarantees off budget and say it doesn't come through the budget?

I just happen to have a bill in on this because I am outraged by that kind of accounting, as I was by the whole accounting process of the Senate. We corrected that with budget reviews, and Senator Ervin and I worked for years with Ed Muskie to put some sense back into it and to get a Budget Committee.

But I put a bill in, S. 265, which puts all loan and loan guarantees on budget and subjects them to congressional budget and appropriations processes. These are in the Governmental Affairs Committee and the Budget Committee, which have jurisdiction. The Budget Committee has held hearings and will wind them up soon. I am testifying before that committee next week.

Senator Domenici, chairman of the Budget Committee, is a co-sponsor of my bill and the administration fully supports the bill. So maybe this will be the last year we will be coming up here saying, well, do not worry too much about this part of it, \$3.9 billion, that is off budget. That comes out of the Treasury. That has a direct impact on credit markets, there is no question about it. It adversely affects credit markets and raises interest rates.

Would you concur, looking back on your experience here and being a fiscal conservative, that we ought to call a spade a spade, and that these are direct obligations of the Federal Government and ought to be on budget like anything else?

Mr. BUCKLEY. They are direct obligations of the Federal Government, Mr. Chairman, but they are not out of the Treasury. I would not quarrel with the kind of changes in accounting for the Federal Government that you are recommending. Until those changes are enacted, of course, we submit our budget requests in accordance with the ground rules as they exist.

The CHAIRMAN. Thank you.

My last question pertains to Argentina and the present situation. The President was briefed by Secretary Haig this morning at 9:45. I had a brief chat with him on the telephone this morning at 7 o'clock, and I am not fully up to date on the situation there.

In fiscal year 1983, you are requesting provision for \$50,000 in military training for both Argentina and Chile. This would require two Presidential certifications. Will they be made and will aid be provided, in the light of, first, Argentina's attack on the Falkland Islands, and second, the Justice Department's concern that Chile has not met the certification requirements concerning the *Letelier* case?

Mr. BUCKLEY. Both matters are under very careful review, and obviously events of the last couple of weeks have stalled proceedings. All I can say, Mr. Chairman, is that we fully recognize that no IMET can be provided until there is certification.

We nevertheless reflect in our budget request what we hope we will be able to achieve, provided we can in good conscience certify and meet the standards set by the Congress.

The CHAIRMAN. Thank you.

Senator Pell?

Senator PELL. Thank you, Mr. Chairman.

The security assistance increase that you are requesting is about the same size as the whole bilateral development assistance program. So the whole emphasis in your supplemental request really is in the military direction. What is the reason behind that, in simple terms, please?

Mr. BUCKLEY. There are certain contingencies in this world which unfortunately require military solutions. If you have a neighbor that is getting increasingly well armed and increasingly aggressive, either you submit to what that neighbor wants you to do or you achieve the capacity to deter that neighbor.

Our requests are calibrated very carefully to increase deterrence and we believe that they are modest in the context of the actual threat that exists. But I would point out that 60 percent of our budget on security assistance requests are for economic assistance, because we recognize that economic stability is essential to achieving our goal of having stable friends.

Senator PELL. I appreciate your response. This obviously is a point on which we can at times agree and at times disagree. Personally, I would like to see emphasis more on the economic side and not on the military side, although I recognize your viewpoint in this regard.

I noticed in a report that the Defense Department may be planning to use the SDAF [special defense acquisition fund] to procure the FX aircraft, which as you know is not quite up to the F-16. Is this report correct?

Mr. BUCKLEY. I would refer to the general.

General AHMANN. Sir, we still have under review with State Department and with our own services the actual end item procurements that we will make under the SDAF at such time as we are hopefully given the ability to obligate those funds.

There has been a consideration—a serious consideration—to include the FX or long leadtime pieces of equipment for the FX in the SDAF procurements. There is consideration of that, though no definite decision has been made.

Senator PELL. In view of the fact that we have made the F-16 available, for example, to Venezuela, which is a developing nation, and to other countries, do we really expect to have a market for the FX?

General AHMANN. Yes, sir, in answer to your question.

Senator PELL. Why?

General AHMANN. Because the F-16 is not suitable, either from our point of view or individual countries' point of view, for every country in the world. There are countries where an FX level aircraft would better meet the requirements.

In addition, sir, there are many fairly sophisticated countries which, as they look at their future, will have to recognize that funding, either their own or from our loans, will not be sufficient for them to build and modernize their air force with an all first-line American fighter force. So the Department of Defense thinks, and I believe State Department thinks, there is definitely a market for FX-level aircraft.

Senator PELL. But if you allocate much of the special defense acquisition fund to aircraft procurement, will we not before closing advanced procurement of a variety of other weapons? For example, tanks and conventional missiles?

General AHMANN. Yes, sir; we would, depending upon how much would also be allocated to FX procurement. As you know, sir, we are looking at building this fund over the 3 years and actually having the authority of Congress to build this revolving fund to a total of \$900 million. In our consideration of a possible decision to include the FX therein, we have never considered making the majority or even anything close to the majority of this total funding for aircraft.

We very much recognize and discussed with our services the need in many cases for less expensive items, such as tanks, artillery pieces, and antitank weapons, to be included in this total fund. So if, indeed, it is the recommendation of the Department of Defense, together with the Department of State, to include some number or some amount of equipment for the FX, it will be a relatively small part, sir.

Senator PELL. Thank you.

Secretary Buckley, in view of the delicate state of the relationship with Greece and Papandreu coming into power, do you think this is a good time to break the old 7-to-10 ratio we have had in the past?

Mr. BUCKLEY. As far as official U.S. policy is concerned, it is not to tip the relative balance between these two countries. That has no magic with the United States as a source of funding. It has to do with the measurement of capabilities. The fact is that Turkey has a rapidly deteriorating stock of weapons and it also faces an enormously important frontier, that is the Soviet Union itself.

So in addressing the needs of one country, I do not think that we necessarily can be assumed to be disregarding the needs of another. We believe that our proposal vis-a-vis Greece will have the effect of maintaining the kind of relative balance we are talking about.

Senator PELL. Also, in connection with aid to Cyprus, in the past we have given them some support due to the fact of the disarrangement that has been caused in that country because of the occupation of Turkish troops using American weapons. We have given them \$15 million in economic grants in the past.

I notice this has been wiped out in the supplemental. What is your reasoning for that?

Mr. BUCKLEY. An analysis of the need. Do not forget, Senator Pell, that we have gone through each item and scrutinized it against today's requirements and needs, in an effort to keep our request at a minimum. It simply is a value judgment.

Senator PELL. Well, here again, Congress may have a different view. But we appreciate knowing your thoughts on this.

Finally, the United Nations Environmental Program [UNEP] has shown a reasonable political and substantial success in cleaning up pollution in the Mediterranean. It is beginning a similar undertaking in the Caribbean. I am delighted to learn that we are committing our share to the United Nations program in the Caribbean.

But with regard to UNEP itself, it would seem to me that that it should be an area of high priority. Yet you intend to cut our contribution to that organization by nearly two-thirds. I realize your personal position and official position may differ here. What is the official justification for cutting this really excellent program, which has done a darn good job on this, the tenth anniversary of the Stockholm Conference?

Mr. BUCKLEY. As you know, Senator, historically we have been by far the largest contributor. There is a sense of a more equitable sharing of the cost of what is a very valuable entity.

No. 2, if we continue to focus on what the original concept for UNEP was; namely, as a catalyst, as a prod, as an entity to define objectives which other countries would then join and back, and expand their own funds in order to implement those objectives, if we keep our focus on that, large sums are not required.

The danger that has to be fought constantly in UNEP is that it might convert itself into a disbursing agency rather than retain its critical role as a definer of objectives.

Senator PELL. The original recommendation of the administration was to zero fund it, and then the Congress adjusted that. But now, as I see it, your proposal is to cut the contribution by nearly two-thirds. Does that not seem like a pretty substantial cut for, as you say, an organization that does an excellent job?

Mr. BUCKLEY. It also assumes that the United States will not be the sole contributor and, of course, this is the voluntary addition. We also contribute our normal share, our historic share of the basic funding. But in our judgment this level of funding is appropriate to our own problems of budgetary restraints and will not hobble UNEP in enabling it to go forward with the kind of work we believe has been so valuable.

Senator PELL. What percentage will the United States then be contributing, roughly? What does that mean if we reduce it by two-thirds?

Mr. BUCKLEY. I do not have my electronic calculator with me. [Pause.]

Mr. BUCKLEY. That would be 17.5.

Senator PELL. That would be the total American contribution under the administration's proposal, and before it was near 40; is that not correct?

Mr. BUCKLEY. I think closer to 30.

Senator PELL. Well, in view of the lead we have always taken in matters of the international environment, I would like to see us continue to take that position.

I thank you for your answer very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Pressler, Senator Helms has very thoughtfully yielded his time to you so that you can keep your schedule. He will immediately follow you.

Senator PRESSLER. I thank Senator Helms very much for his thoughtfulness. I am on the run.

I did want to say that in last year's foreign assistance legislation I proposed an amendment which requested the administration to prepare an overview of the foreign assistance program. The new administration had indicated that it wished to make a number of changes in our foreign assistance activities and I felt that after a year of experience it would be appropriate for them to lay out their policy direction in a single document.

The amendment was passed by the Senate and accepted by the House. The amendment asked for a preliminary draft by March 30 to aid the Congress in reviewing requests for 1983, and a final report by June 30. I understand this deadline is to be missed by a few days, which I hope indicates that my amendment has had the intended effect of encouraging the various agencies to think through their foreign assistance policies and integrate them into a coherent whole.

I would like to ask the witnesses when we might expect to see the draft report and whether this has been a useful exercise. Also I might add that it is becoming more and more difficult to vote for foreign assistance while we are having budgetary cutbacks here at home.

Our national objectives in foreign assistance and security programs should be laid out to our citizens in the sense of explaining what we are trying to do. Are we seeking security for the United States, are we really engaging in this altruistic business to help development? In fact, in a lot of places there has not been development where we have given much foreign aid.

For example, I notice a question about whether we are going to give aid to China, that we want to lift the prohibition on aid to China. Well, China has developed. I was there 1 year ago. China is feeding her people. China has put to shame, I suppose, some of the countries in which we have had aid missions in terms of development.

When I was in the Army I was on loan for a time to AID in Vietnam. The thing just does not work. Frequently our aid really helps just the richest people and really does not get down to the poor people.

So I hope that this report which is now being prepared—or I hope it is being prepared—will tell us what we are trying to achieve with this foreign assistance. If you are going to boil it down to a nutshell, is it for security for the United States? What is it we are trying to achieve with this enormous expenditure?

Mr. BUCKLEY. Senator, first of all, may I say that I think the requirement for the report was an enormously valuable initiative. It in effect forced action that we wanted to take in any event. But it is always easy to delay things.

Your report covers nine specific issues. It is so comprehensive that it has resulted in the delay in meeting the deadline for the interim paper. A number of agencies and departments have had to be brought into the process. For example, AID, State, Treasury, OMB, NSC, DOD, and ACDA.

We have the interim report in its fifth and final interagency review, and we hope in the next week it will be available to you. It is having the effect of generating within the administration a very thorough review of the entire scope of foreign assistance programing.

I would refer you to the report that I referred to in my testimony, the "International Security and Economic Cooperation Program, Fiscal Year 1983," to give you at least prior to the final conclusions in the report you initiated, the very new approach that the administration has, in fact, taken in defining foreign policy goals, foreign policy and security goals as a basis for achieving a rational allocation of total resources, including development assistance resources, as a means of achieving an important American foreign policy objective not only with respect to countries in which we have immediate security concerns, but also the fact that we have a stake in stability, and more and more we have a stake in stability in areas of the Third World.

Look at our strategic minerals situation. I am not talking about petroleum, but things like cobalt, manganese, and titanium. Then you have to look at southern Africa. The general climate in southern Africa is of critical importance to us.

I would also say that a new administration is in place and that means a new philosophy across the board as to how you achieve developmental goals. I do not want to encroach on Mr. Wheeler's preserve here, but I do believe that there has been a significant redirection of AID assistance toward helping enhance the marketplace and people's ability to work within the marketplace and to become self-supporting and productive.

Senator PRESSLER. So in other words, you would define our objective in this bill as pursuing U.S. interests in terms of availability of minerals and national security? We are not on an altruistic mission here, in other words. We are proceeding with hardnosed U.S. interests.

Mr. BUCKLEY. The report is not finished, but I would say that this report which has been distributed defines the specific goals and shows where the allocation of resources meets our enlightened self-interest.

Senator PRESSLER. Does the administration believe that at this time it could make the certifications required by section 728 of last year's bill in order to provide aid to El Salvador? If a rightwing coalition government emerges in El Salvador which is opposed to continued economic reforms, would such a certification be made?

Mr. BUCKLEY. I don't think we can anticipate what the certification would be until we find out what government comes into place and whether it repudiates human rights and such goals as that. Senator, I do not think it would be useful at this stage to second-guess political developments in El Salvador.

Senator PRESSLER. This supplemental request for military aid shifts the overall military economic balance of the U.S. foreign aid program. In fiscal year 1982, military aid represented about 33 percent of the U.S. foreign aid, while in fiscal year 1983, it would represent about 40 percent. What are the consequences of such a shift on world perceptions of the U.S. foreign aid program?

Mr. BUCKLEY. I think there would be a perception that the United States understands that there are particular areas in the world where the tide is going against us, and that we intend to reverse that trend, that we take seriously a threat represented by the Vietnamese Army in Kampuchea, that we recognize that Thailand, in order to preserve its independence, requires the capacity to make sure that the Vietnamese stay outside their border.

In other words, I think it is more reassuring than anything else that the United States is willing to make the commitments required to support friends and allies in areas of great interest to the United States as well as to those friends.

Senator PRESSLER. There is an increase in this program over last year at a time when we are cutting the overall budget. In a nutshell, if you were talking to an American citizen and telling him what he would get out of this bill what would you say?

Mr. BUCKLEY. Safety.

Senator PRESSLER. Safety in terms of what?

Mr. BUCKLEY. Ultimate security. The best guarantee against sending American troops abroad. The Turks have 500,000 men in their armed services at an average cost of \$6,000 per man. To the degree that the Turks are able to hold the line in their geographical area, which helps us not only in terms of the eastern flank of NATO but also in terms of the Middle East and Southeast Asia, this is a lot more efficient than to try to conscript and train a lot more Americans at \$90,000 plus per man to be able to extend American presence in areas of clear interest to the United States, I think most Americans would understand.

Senator PRESSLER. So in other words, we have a better chance of having other countries fight our causes and we will not have to conscript our own troops?

Mr. BUCKLEY. I believe the lesson of the last 50 or 60 years is clearly that. If one is prepared for the worst, the worst never occurs. Had England or France been better prepared in the 1930's, we would never have had the horror of a World War II. This is precisely the lesson of what we have to confront today—strength buys peace.

Senator PRESSLER. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Pressler. Senator Helms, we are under the 10-minute rule and you will be followed by Senator Hayakawa.

Senator HELMS. Thank you, Mr. Chairman. I want to begin by complimenting you for your comments on this off-budget shell game, Mr. Chairman, that we constantly have to endure up here. I want to help with your legislation in any way that I can. I think the American people would be outraged if they understood the extent to which it occurs.

They do not know the difference between budget authority and off-budget, and I don't think that many people realize that almost 50 percent of the capital that has to be borrowed is claimed at the top by the Federal Government. That does not include State government borrowing or local government borrowing. So there is very little capital left for the private sector by the time the bureaucracies at the Federal, State, and local levels get through putting their hooks into whatever number of dollars may be available.

Furthermore we have a situation now where the national debt exceeds \$1 trillion. It costs more than \$100 billion just to pay the interest on that debt. A subject that our friend, Secretary Buckley, and I have discussed on many occasions.

Here there is \$3.9 billion off budget. As you made clear, that is what the law provides, and as the chairman made clear, you are very forthright in pointing that out and we appreciate it.

Mr. Chairman, I do appreciate your comments and I agree with them absolutely.

The CHAIRMAN. I was afraid they might be buried and no one would pay any attention to it. But we are on record with it and I want to emphasize it.

Senator HELMS. I can assure you it had already been marked in his statement.

Mr. Buckley, on page 24, in item 2, you mentioned elimination of certain prohibitions on foreign assistance to the People's Republic of China. You are referring in the main to Public Law 480, aren't you?

Mr. BUCKLEY. That is one of them, yes.

Senator HELMS. I have already consulted by correspondence with the Secretary of State and he agrees that Public Law 480, with reference to Red China or any other nation, clearly is under the purview of the Senate Committee on Agriculture, Nutrition, and Forestry. I also checked with the Parliamentarian. There will be hearings by our committee on this question at an early date.

Let me get back to the national debt. Can you tell me how much the foreign aid program has cost since its inception in 1946?

Mr. BUCKLEY. Are you talking about economic development or the military aspects of it?

Senator HELMS. Let us talk about it all.

Mr. BUCKLEY. No, I don't. Does anyone have that figure? [Pause.] No, we don't.

Senator HELMS. Well, I anticipated precisely that, because I have spent the past year trying to get the State Department and other sources to tell me how much this entire program under the umbrella of the words "foreign aid" costs. Well, nobody knows.

We are on the last lap in my office of putting together a country-by-country analysis for the period. You wouldn't hazard a guess?

Mr. BUCKLEY. No.

Senator HELMS. The Library of Congress and sources in the State Department and others have finally funneled in, and they say it has cost about \$286 billion. Now, that does not include factoring in the cost of this money inasmuch as it has been spent, appropriated, and spent, in times of deficits which have been constant.

Yesterday, Jim, I received a preliminary estimate based on computer work of the total cost including interest. Would you believe that the foreign aid program—I am talking about the umbrella—has cost this Government, meaning the taxpayers, in excess of \$2 trillion, when you factor in the interest since 1946?

I find myself wondering—and this follows up on the comment of my friend from South Dakota—where have we been? What have we been doing and why have we been doing it? I find myself in total agreement with what I perceive to be the vast majority of the American people, that probably we could have done more by concentrating on doing away with cancer, or doing more with education, or whatever.

Being chairman of the Agriculture Committee, it is a little tough for me to look at these figures and see farmers in Illinois, North Carolina, and South Dakota, and everywhere else going down the tube because they can't get any money to run their farms. They can't get prices suitable to give them a profit.

These are the psychological barriers to an immediate enthusiastic acceptance of foreign aid appropriations proposed by the adminis-

tration. As time goes by, however, we will look into the various aspects of it and we will try to do the best we can. But as of this moment, I think we have an awful lot of problems here in our own country.

Let me say, however, that it is nice to see you again, Jim, and we miss you in the Senate.

Mr. BUCKLEY. Thank you.

Senator HELMS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Helms. Do you have any further questions?

Senator HELMS. No, I don't.

The CHAIRMAN. One other thing. While all of we conservatives are still here—and I mean fiscal conservatives [general laughter].

One other thing that I would like to call to the committee's attention and ask for a review by the administration is this: We used to provide grant military assistance. We labeled it as grant military assistance. It was a gift. There was no obligation to pay it back, whatsoever. It was clearly understood right from the outset and we knew what we were doing. That was the old grant military act program called MAP.

About 5 years ago, we went into a program of forgiving FMS credits. In other words, there were direct loans with special legislation simply saying they did not have to pay them back. Now, that to me is a gift, a grant. I don't know why we don't go back and call a spade a spade. Just who are we kidding? Does it make it look better for some countries to receive it in that way? Or are we kidding ourselves? Or is it another way of doing things off budget?

We have to face up to this trillion-dollar-plus deficit that we have. It is growing fast. I think we just have to get back to accounting principles that we all understand.

I would appreciate the administration taking a look at that to see whether or not we shouldn't go back to the practice we had before which I think is a more honest practice, frankly.

Senator HELMS. Mr. Chairman, if you would yield, I absolutely agree with that. Since I didn't use all of my time, I will take another minute to agree with the chairman again.

I think it is about time that we leveled with the American people on all of these things. It is a sort of shell game. Way down the road, Mr. Kissinger or some other Secretary of State forgives loans or says, give us 5 cents on the dollar. Well, we are not running a bankrupt sale with the taxpayers' money. At least I hope we are not. But that is precisely what it boils down to.

I just hope we can get up front with this appropriation proposal and all others because for too long we have been playing games with the perception of the American people, and it is no wonder that there is a hostility to a lot of programs that now exist.

The CHAIRMAN. I am glad to see nodding and assent by our witnesses. I hope that does indicate assent to that. I would like to note for the record that we are getting some very good cooperation from this administration in another area; that of asset disposal.

I treasure the letter that I got from Secretary Casper Weinberger saying that they are now going to take a look at the acreage that we own on Waikiki Beach which we call Fort De Russey. Fort De Russey, is that a luxury hotel set up there to defend us against a luxury attack in Hawaii?

Well, we had better call a spade a spade and not hide all of these goodies that we have in the Federal Government. We ought to put them right on our books for what they are really worth and ask ourselves if we need them. We ought to start disposing of those that we don't need and turn them into cash. Let's run this Government like a business and not like a philanthropy, the way we have been running it.

This is the administration to face up to that, and I am, again, very pleased by David Stockman who has been kicked around a little and taken to the woodshed, and, in these areas, has been the most realistic man that I have ever talked to. I must say he is. He really calls a spade a spade. Regarding debt collection, he really intends to go out and collect those debts. And in asset management, he intends to dispose of them.

We are going to put a lot of stuff on the block. We are going to go up into our attic. I think the Federal Government has not just \$1 trillion, but trillions of dollars worth of stuff. We are going to have a garage sale and really get rid of a lot of this stuff that we don't need because we are in desperate trouble.

We are exporting recession all over this world with 9 percent and with the interest costs that we now have of over 16 percent sometimes. We have to do something to get it down because companies and farmers right and left are being bankrupted because they cannot afford those interest rates. We just have to bring in more income.

That is why I also say—and I will summarize at the end what I think of this budget request that you are making—well, maybe I had better withhold all of my comments until the end.

Senator HELMS. Let me just say amen, brother.

Mr. BUCKLEY. May I intrude a comment?

The CHAIRMAN. Of course.

Mr. BUCKLEY. When you saw me nodding it was because I was glad to see that you are supporting the initiative that we are taking to go back to direct credits rather than to a regime of grants, which was the choice of Congress last year and not the administration's choice.

Yes; we believe there are countries that cannot pay the 15- or 16-percent interest to purchase the arms that they need, but they can pay something, and over a period return to the U.S. taxpayers the principal cost involved. So I am glad that our thinking coincides there.

I have asked Senator Helms if I could see the study that he is making because I am not totally surprised that over a period of 30 years, these figures have gone up. But I would be curious to see how much of that is due to NATO or to the Vietnam war, for example.

Speaking of which, of course, the whole objective of these programs is to see that there is not a world war III, which would be a couple of trillion more.

Senator HELMS. I am sure the report will not be a secret. We will make a copy available to you, Jim.

The CHAIRMAN. Senator Hayakawa.

Senator HAYAKAWA. Thank you, Mr. Chairman. Mr. Secretary, please do not bother with this question if you have dealt with it already. I want to ask you about our assistance program to Thailand. I have been there a couple of times in the past few years. I have been enchanted with the country and with the tremendous work it has done in offering refuge to the refugees from Cambodia and elsewhere.

The Thais are making every effort to preserve their territorial integrity, which is being threatened constantly, and to deter aggression.

I would like to know if our Thai program is helping them in their efforts. Are we going far enough in our aid?

Mr. BUCKLEY. We believe that the levels of military sales that we have been continuing with—and there was a submission just yesterday I think for \$60 million worth of parts—are consistent with the existing legislation and the undertaking to preserve Taiwan's ability to protect itself.

I know your special interest in this whole area, Senator. I would point out that Assistant Secretary Holdridge will be discussing the entire Taiwan-PRC situation in closed session this afternoon.

Senator HAYAKAWA. I know that. I was talking about Thailand this morning.

Mr. BUCKLEY. Oh, I am so sorry. We have scheduled for Thailand in military sales and guarantees \$41 million in military sales and \$50 million in credits. Also, in terms of development assistance, \$28 million. The economic support fund is for \$10 million; international narcotics control and assistance is \$2,400,000, and in terms of our military training, \$2,200,000.

We are very cognizant of the burden that Thailand has been carrying both in terms of the refugees and defense. I, too, visited those refugee camps last August and I share your impression that they are doing a first-class job with a problem that they never asked for.

The levels that we have been requesting we believe are essential not only to enable Thailand to bear that economic burden and continue that kind of help, but also to address the problem of protecting the integrity of their own borders. This is the sort of situation that added to other situations in other parts of the world, require in our judgment the levels of financing that we have requested.

If we have to go along with the levels that we had in the second half of your 2-year authorizing legislation, then we would certainly like to know what should we jettison. The Spanish bases, Turkey or Thailand? These are very difficult choices.

Senator HAYAKAWA. I wonder if General Ahmann would care to add anything about our assistance to Thailand. Do we have many Thai officers in this country getting IMET training? The cooperative relations of our military with theirs, are they pretty good?

General AHMANN. Yes, sir. Senator, I would add, first of all, a personal touch. The chief of our military mission in Thailand is a classmate of mine. I have known him for a long time. He presses me about once every 2 weeks on doing more for Thailand. He is a very aggressive young man. Well, I guess I should say older man, although I do think of him as young. We are vitally interested in defense and in doing a good job for Thailand.

In the training area, sir, in 1980-81, we had about 180 Thai personnel in each year trained in the IMET program. In 1982 we see that number going up to over 255. In 1983 we are proposing to go up to about 369 total Thai personnel trained in this country, so we are getting better.

As far as the equipment is concerned, we are limited. We are limited by Thai funds, and by our security assistance to Thailand. Looking at the threat, I personally would like to do more for Thailand because that country has a real and present threat. However, in our work with

the State Department of balancing the needs of the whole world, I think we are doing the best possible job for Thailand right now within the overall context. We are continuing to work on the problem.

Senator HAYAKAWA. Thank you very much. The relationship between the Thai military and ours, then, is excellent?

General AHMANN. Yes, sir, I think it is very good.

Senator HAYAKAWA. I am glad to hear that. Thank you very much, General, and thank you, Mr. Secretary. That is all I have, Mr. Chairman, thank you.

[The following information was subsequently supplied for the record:]

FISCAL YEAR 1983—THE CASE FOR SECURITY ASSISTANCE SUPPLEMENTAL AUTHORIZATION

[SUBMITTED BY THE DEPARTMENT OF STATE]

In fiscal year 1983, the President is seeking supplemental security assistance budget authority of \$1,012 million, and added FMS guarantee authority of \$660 million.

These increases over the December authorization relate to specific national undertakings essential to the security of our country, the protection of our interests abroad, and the peace and stability of countries and regions important to the U.S. Using an illustrative allocation of the fiscal year 1983 resources already authorized:

In Israel and Egypt the President has asked additional FMS credits (\$150 million grants/\$550 million guarantees) to help assure their security and to strengthen their ability to pursue the peace process. Without this increase, we risk setbacks to the peace process. Our assistance has helped give each country the political confidence to take new steps for peace—in the face of persistent opposition from rejectionist forces.

In the Near East and South Asia, the President proposes added resources to strengthen states necessary for our security posture in and access to the Middle East and Persian Gulf, and who are facing clear threats of aggression and severe domestic economic difficulties (Pakistan, Morocco, Tunisia—\$120 million FMS credits and \$250 million FMS guarantees). In addition the Administration proposes modest increases for strategically located Indian Ocean states (e.g., Kenya and Somalia). Without these modest increases critical U.S. security interests in the region are endangered.

In Southern Europe, especially, additional funds are essential to help rebuild NATO's defense posture not only against the traditional Soviet threat in Europe, but also to cope with the new threat to Western interests in the Middle East and Persian Gulf. These increases are also critical to securing important U.S. base and operating rights. In Portugal and Turkey greater concessionality will reduce the economic impact of badly needed military improvements necessary to fulfill NATO responsibilities (Europe—\$308 million military credits; \$22 million ESF). Without these increases we can only watch as deterioration of NATO's Southern Flank threatens NATO and jeopardizes the cooperation we need to meet threats beyond the Alliance's geographic bounds.

To maintain the momentum in the Caribbean that we will begin in fiscal year 1982, we must continue to address the causes of socio-economic instability while helping re-establish security (CBI—\$150 million ESF; \$10 million military credits). Without this, our Caribbean policy will flounder and we will face accelerating social and political turmoil on our own doorstep.

Much of the remaining modest increases relate to strengthening relationships in the important states of the Pacific facing serious threats from both North Korea and Vietnam.

The Administration's security assistance request is concentrated on a handful of countries, but these countries are all clearly central to our highest priority foreign policy goals.

Nearly 90 percent of FMS guarantees are for only seven countries: Israel, Egypt, Turkey, Spain, Greece, Pakistan and Korea.

Nearly 80 percent of ESF and FMS direct credits go to six countries: Israel, Egypt, Turkey, Pakistan, El Salvador and Sudan.

The increase in FMS direct credits reflects our belief that countries that can repay, should repay. Yet, we need some concessionality if we are to help arm and train these countries integral to our own security interests whose economies cannot bear that burden alone. The best compromise is an adequate program of concessional financing in addition to the market rate guarantees and the authority to offer grant assistance to a few particularly critical recipients.

Without the added resources he has requested, the President's ability to safeguard American security will be severely undermined. International stability—economic and military—depends on a responsible U.S. role. We cannot avoid that responsibility if we are to assure preservation of America's own continuing security.

Fiscal year 1983 security assistance—President's proposal (International Security and Development Act of 1981)

FMS:		
Guarantees.....	3, 928. 8	
	(3, 269. 5)	
Credits.....	1, 739. 0	
	(800. 0)	
ESF.....	2, 886. 6	
	(2, 723. 5)	
MAP.....	107. 5	
	(238. 5)	
IMET.....	53. 7	
	(42. 0)	
PKO.....	43. 5	
	(19. 0)	
Counter terrorism.....	5. 0	
	(—)	
Total:		
Budget authority.....	4, 834. 7	
	(3, 823. 0)	
FMS guarantees.....	3, 928. 8	
	(3, 269. 5)	

FISCAL YEAR 1983 SECURITY ASSISTANCE REQUEST

[Illustrative fiscal year 1983 breakout at currently authorized levels in parentheses]

	FMS guaranties	FMS/MAP credits/grants	ESF	IMET	Total
EA.....	363. 5	50. 0	60. 0	9. 15	482. 65
	(382. 5)	(4. 5)	(55. 5)	(6. 77)	(449. 27)
AF.....	24. 0	210. 0	325. 0	8. 735	567. 735
	(107. 6)	(88. 0)	(295. 75)	(6. 015)	(497. 365)
NEA.....	2, 630. 0	1, 030. 0	1, 768. 0	11. 1	5, 439. 1
	(1, 797. 0)	(751. 0)	(1, 762. 0)	(8. 33)	(4, 318. 33)
EUR.....	860. 0	375. 0	382. 0	11. 035	1, 628. 035
	(920. 0)	(67. 0)	(357. 0)	(7. 735)	(1, 351. 735)
ARA.....	51. 3	74. 0	276. 0	13. 335	414. 635
	(62. 4)	(64. 5)	(125. 1)	(9. 366)	(261. 386)
SRF.....		50. 0	75. 0		125. 0
		(25. 0)	(118. 15)		(153. 15)
General cuts, reimbursements and other adjustments.....		57. 5		345	57. 845
		(38. 5)		(3. 764)	(42. 264)
Subtotal.....	3, 928. 8	1, 846. 5	2, 886. 0	53. 70	8, 715. 0
	(3, 269. 5)	(1, 038. 5)	(2, 723. 5)	(42. 0)	(7, 073. 5)
PKO.....					43. 5
					(19. 0)
Counter-terrorism.....					5. 0
Total.....					8, 763. 5
					(7, 092. 5)
FMS credits.....		1, 739. 0			
		(800. 0)			
MAP.....		107. 5			
		(238. 5)			

* \$55,000,000 in 506 (a) authority not included.

	Fiscal year 1983 hypothetical				Fiscal year 1983 proposed			
	FMSG	MAP	ESF	IMET	FMSG	FMSD	ESF	IMET
EA								
Burma				0.15				0.2
Fiji								.055
Indonesia	40.0			2.2	50.0			2.625
Korea	195.0			1.4	210.0			1.85
Malaysia	10.0			.5	12.5			.85
Papua New Guinea				.02				.02
P. Ippines	50.0		50.0	1.0	50.0		50.0	1.3
Singapore				.05				.05
Thailand	87.5	4.5	5.0	1.45	41.0	50.0	10.0	2.2
South Pacific regional			.5					
Total, EA	382.5	4.5	55.5	6.77	363.5	50.0	60.0	9.15
AF								
Botswana	.5		10.0	.07	5.0		10.0	.125
Burundi								.03
Cameroon	1.5			.05	10.0			.15
Cape Verde				.03				.035
Congo				.03				.035
Djibouti	1.0		2.0	.075	1.5		2.0	.1
Equatorial Guinea				.03				.05
Gabon	2.6			.06	3.0			.1
Ghana				.3				.45
Guinea								.035
Guinea Bissau				.035				.035
Ivory Coast				.03				.05
Kenya	22.0	10.0	10.0	1.05		35.0	30.0	1.5
Liberia	7.0	5.0	35.0	.6		15.0	32.0	.8
Madagascar								.02
Malawi				.04				.06
Mali				.075				.125
Mauritania				.03				.05
Mauritius			2.0				2.0	
Niger	2.0			.375		5.0	5.0	.45
Rwanda	1.5			.04	1.5			.075
Senegal	2.0			.3		5.0	10.0	.45
Seychelles			2.0				2.0	
Sierra Leone				.025				.025
Somalia	10.0	20.0	20.0	.35		30.0	25.0	.55
Sudan	50.0	50.0	100.0	1.15		100.0	70.0	1.5
Tanzania				.03				.075
Togo				.05				.075
Uganda				.05				.05
Upper Volta				.075				.135
Zaire	7.5	3.0		1.0		20.0	15.0	1.3
Zambia			20.0				20.0	.15
Zimbabwe			75.0	.065	3.0		75.0	.15
South Africa regional			19.75				77.0	
Total	107.6	88.0	295.75	6.015	24.0	210.0	325.0	8.735

	Fiscal year 1983 hypothetical					Fiscal year 1983 Proposed				
	FMSG	MAP	ESF	IMET	PKO	FMSG	FMSD	ESF	IMET	PKO
NEA										
Bangladesh				.175					.225	
Egypt	700.0	200.0	750.0	2.0		900.0	400.0	750.0	2.0	
India				.08					.2	
Israel	850.0	550.0	785.0			1,200.0	500.0	785.0		
Jordan	50.0		15.0	1.325		75.0		20.0	2.0	
Lebanon	10.0		6.0	.575		15.0		8.0	.75	
Morocco	50.0			1.1		50.0	50.0		1.6	
Nepal				.075					.075	
Oman	30.0		15.0	.1		400.0		15.0	.1	
Pakistan			175.0	.6		275.0		175.0	.8	
Sri Lanka	2.0			.1					.15	
Tunisia	95.0		5.0	1.0		70.0	70.0		1.7	
Yemen	10.0	1.0		1.2		5.0	10.0		1.5	
Sinai MFO					130.0					34.474
Mid-East regional			11.0					15.0		
Total	1,797.0	751.0	1,762.0	8.33	130.0	2,630.0	1,030.0	1,768.0	11.1	34.474

	Fiscal year 1983 hypothetical					Fiscal year 1983 proposed				
	FMSG	MAP	ESF	IMET	PKO	FMSG	FMSD	ESF	IMET	PKO
EUR										
Austria				.045					.045	
Cyprus			15.0							
Finland				.04					.04	
Greece	280.0			1.2		280.0			1.7	
Iceland				.02					.02	
Poland			5.0							
Portugal	65.0	10.0	20.0	1.8		15.0	75.0	20.0	2.6	
Spain	150.0		17.0	2.0		400.0		12.0	3.0	
Turkey	425.0	57.0	300.0	2.5		165.0	300.0	350.0	3.5	
Yugoslavia				.13					.13	
UNFICYP					9.0					9.0
Total	920.0	67.0	357.0	7.735	9.0	860.0	375.0	382.0	11.035	9.0

	Fiscal year 1983 hypothetical				Fiscal year 1983 proposed			
	FMSG	MAP	ESF	IMET	FMSG	FMSD	ESF	IMET
ARA								
Antigua		.225						
Argentina								.05
Bahamas	1.0							.06
Barbados	2.0	.1		.085				
Belize				.026				.1
Bolivia								.1
Brazil				.03				.05
Chile								.05
Colombia	12.0			.5	12.0			.86
Costa Rica			20.0	.05			60.0	.15
Dominica		.225		.05				.75
Dominican Republic	4.0	1.0		.45	5.8	3.7		.28
Eastern Caribbean	2.6		20.0		1.0	4.5	30.0	.7
Ecuador	4.5			.475	6.0			1.3
El Salvador	16.5	43.5	40.0	1.0	10.0	50.0	105.0	.25
Guatemala								.05
Guyana				.04				.05
Haiti	.3			.25				.415
Honduras	9.0	18.0		.65	5.5	9.0	25.0	.8
Jamaica	1.0	1.0	40.0	.075		6.5	55.0	.2
Mexico				.2				.245
Nicaragua			5.1					.5
Panama	5.0			.4	5.0			.05
Paraguay				.015				.7
Peru	4.5			.485	6.0			
St. Lucia				.05				
St. Vincent		.225		.05				
Suriname		.225		.06			1.0	.075
Uruguay				.015				.05
Venezuela				.03				.05
PACAMS				4.4				5.5
ROCAP								
Total	62.4	64.5	125.1	9.386	51.3	74.0	276.0	13.335

¹ \$55,000,000 in 506(a) authority not included.

The CHAIRMAN. Thank you very much. We will wrap up at 12 o'clock because I have to be on the floor to manage the opposition to the Symms amendment.

We have a request from Senator Glenn to ask several questions for the record. Because I will not be able to cover all of the questions that I have in mind before we adjourn at 12 o'clock, I will ask that the record be kept open for a reasonable period of time so that those can be submitted to you for your response.

We also have a statement from the American League for Exports and Security Assistance, Inc. That statement is from Dr. Herbert Y. Schandler, their vice president on security assistance legislation. I would like to put the entire statement in the record, but would just read two sentences that I felt were pertinent.

Although many in and out of Congress may find it difficult to justify a significant increased security assistance program in this year of tightened budgets and reduced

domestic spending, we feel the President's request in this area represents an essential level of support for an important element of American security policy. Therefore, we feel it important that this committee and the entire Congress review this aid request in a bipartisan effort to insure that our Nation has the diplomatic tools we need to protect our friends, allies and vital interests wherever they may be threatened.

I read that into the record simply to put balance into this situation. I will put the entire statement into the record.

[Dr. Schandler's prepared statement follows:]

PREPARED STATEMENT OF DR. HERBERT Y. SCHANDLER, VICE PRESIDENT,
AMERICAN LEAGUE FOR EXPORTS AND SECURITY ASSISTANCE, INC.

Mr. Chairman, Members of the Committee, I am pleased to have the opportunity to appear before the Committee this afternoon and to express the views of the American League for Exports and Security Assistance, Inc. (ALESA) on policies and legislation that affect the export of U.S. defense articles and services.

While I realize that ALESA representatives have appeared before this Committee on other occasions, let me again briefly describe the American League for Exports and Security Assistance, Inc. ALESA is a labor-management organization currently composed of four national and international unions, representing about 4.1 million workers, and 38 American corporations engaged in exporting billions of dollars worth of American manufactured goods and services. These companies employ over 800,000 Americans in all 50 States plus the District of Columbia. A list of our membership is attached. ALESA's principal goal is to encourage exports of American goods and services, in consonance with the security and economic goals of our nation.

We are happy to represent this important segment of American business and labor in bringing before this Committee their views on the President's foreign assistance program. But before I address our specific legislative proposals, let me make clear our overall position concerning the sale of American defense articles and services abroad.

No one in our ALESA membership would argue that the sale of defense articles and services abroad should not be subjected to strict government control. Such sales are and long have been an important instrument of our diplomacy and an important adjunct of our own national security. Consequently, these sales must be controlled by the Executive with appropriate congressional oversight.

And although many in and out of Congress may find it difficult to justify a significant—and increased—security assistance program in this year of tightened budgets and reduced domestic spending, we feel that the President's requests in this area represent an essential level of support for an important element of American security policy.

For the world has become increasingly unstable in recent years and the threats to peace seem greater than ever before. Therefore, we feel it important that this Committee, and the entire Congress review these aid requests in a bipartisan effort to insure that our nation has the diplomatic tools we need to protect our friends, allies, and vital interests wherever they may be threatened.

In the past, security assistance, including arms sales, has been a flexible implement in an integrated American foreign policy. These programs usually have been advantageous to the United States in that they have allowed recipient countries to maintain internal order and have increased the prospects for regional stability in areas of the world important to the United States, thereby reducing the likelihood of direct U.S. military involvement.

In addition, standardization of material, doctrine, and training has been enhanced among our allies and friends. Other advantages include maintaining the U.S. arms production base which can be diverted to U.S. use in an emergency, increasing U.S. employment, aiding the U.S. balance of payments, and reducing unit costs of equipment to U.S. forces through larger production runs and because research and development costs are partially recovered. Also, cooperation and closer relations have been maintained with recipient nations through arms transfers, re-supply, logistics, and training commitments. Foreign dependence on U.S. logistic support is created, to a certain extent, and additional training has been provided to U.S. personnel. This has provided the United States with certain diplomatic leverage in troubled areas of the world. In addition, by insuring that friendly nations had a dependable source of conventional arms for their security requirements, the urge to build their own armaments industry, or in some cases, to develop their own nuclear weapons, was removed.

Our security assistance programs, including military sales, began in the postwar era when our assistance, both economic and military, was extended to areas and nations devastated by war and threatened by Communist subversion and aggression.

U.S. grant military aid programs were born in the early days of the Cold War and the stated purpose of those programs since their inception has been to strengthen the mutual defense and collective security of the non-Communist world. Few would argue that in the immediate postwar period the major accomplishments of defense reconstruction (as well as economic and political recovery) were to a great extent, a triumph of American leadership and initiative, especially in Western Europe.

We would make the point that these programs are no less necessary and important today. Many of our friends, allies, and interests in many parts of the world continue to be threatened by external aggression or internal subversion. They continue to look to the United States as a reliable supplier of their defense needs. Our hand to them must continue to be strong and reliable. This aid—military as well as economic—along with our diplomatic and political support, is often the only tangible support we can offer to many people around the world struggling to maintain their freedom.

The proposals presented by the President in this legislation indeed are inexpensive compared to the alternatives of either allowing free people to be dragged into slavery or of sending American military forces to defend the freedom of others.

We need not elaborate the many current threats to American interests in Central America, the Middle East, South Asia, and elsewhere in the world. They are familiar to you. What is clear to us, however, is that it would indeed be false economy to deny certain key nations in these areas appropriate means of defense.

In the overall context of our defense effort, the sums requested by the Administration for these programs are modest. In the late 1950's security assistance in the form of grant aid was equal to about 10 percent of the defense budget. Today, such assistance is mainly on a credit basis and amounts to a far smaller percentage of our defense budget. Moreover, of the FMS credit in recent years, fully 85 percent has been earmarked for seven countries (Israel, Egypt, Turkey, Greece, South Korea, the Philippines and Spain) and two of those seven (Israel and Egypt) received over 50 percent of the total FMS credits. This has left the remaining nations dependent on our assistance to compete for the remaining 15 percent. These nations—in Central and South America, the Sub-Sahara region and Asia—are precisely the areas in which the Soviets and their client surrogates are extremely active, providing hundreds of millions in arms on easy terms and with quick delivery dates. If the Administration is going to be able to meet the threat in the so-called Third World, ALESA believes, as does the Administration, that the increases in the FMS credit programs requested by the Administration are essential.

In past years, the Congress, in order to have a strong voice in the conduct of American security assistance programs, has often placed inflexible, stringent, and complex restrictions and conditions on these sales. These restrictions have taken the form of specific country prohibitions, dollar limitations on certain sales, and other prohibitions. Over time, this accumulation of restrictions became overlapping, redundant and burdensome to industry, to the Congress, and to the Executive. In addition, they have often failed to achieve their purpose. Perhaps the most pernicious effect of these restrictions has been that oftentimes we were no longer perceived as a reliable supplier of the defense needs of many of our friends and allies. They could not count on our response to their legitimate defense needs.

Last year, the Administration requested that many of these restrictions be lifted or modified so the U.S. foreign policy options would not be circumscribed by unnecessarily stringent and inflexible statutory provisions. We welcomed and supported those recommendations, and many of those restrictions were indeed repealed by the Congress.

We believe that in the ensuing year, the Administration has acted in a responsible manner under this new flexibility provided by the Congress. We know that American industry has benefited from this new atmosphere of trust and cooperation.

We would hope that this trend would continue and that the Administration, the Congress, and American industry can continue to work together to develop and implement a security policy based upon the national interest and the security of the United States, with appropriate congressional oversight, but without additional inflexible permanent legislative provisions designed to address transient issues. These issues can be better resolved by a spirit of cooperation and communication.

The United States has many interests around the world but the greatest of all is preserving the peace. It may seem ironic but it is true that peace and defense capabilities are not contradictory; they are complementary. We are in the process of shoring up our own military capability to meet real and perceived threats in Central and South America, Africa, the Middle and Near East and even in Europe itself. Our friends and allies have the same concerns, and we cannot and do not desire, to meet these threats alone. Thus, being a reliable supplier of needed defense articles in areas important to our security is a role which the United States cannot shun, because such is our leadership role in the world.

The events over the past year in Afghanistan, Poland, Iran, Nicaragua, El Salvador, different in characteristics though they be, underscore the need for an enhanced security program both at home and abroad.

This Committee and the Congress will have historic decisions to make not only on the size and scope of these programs but on the evolution and direction of the foreign policy which these instruments can be employed to enhance. We hope our views will be helpful to both the Committee and the Congress in the making of those decisions.

ALESA MEMBERSHIP

COMPANIES

Aerojet General Corporation	Hughes Helicopters
American Hoist and Derrick Company	Lear Siegler, Inc.
AM General Corporation	Lockheed Corporation
Avco Corporation	McDonnell Douglas Corporation
Beech Aircraft Corporation	Martin Marietta Aerospace
The Boeing Company	The Mead Corporation
Control Data Corporation	Napco Industries, Inc.
Ducommun Incorporated	Northrop Corporation
Elenco International, Inc.	Pneumo Corporation
Emerson Electric Company	Raytheon Company
Fairchild Industries, Inc.	Rockwell International
FMC Corporation	Rohr Industries, Inc.
Garrett Corporation	The Singer Company
Gates Learjet Corporation	Sundstrand Corporation
General Dynamics Corporation	Teledyne, Inc.
Goodyear Aerospace Corporation	TRW, Inc.
Harsco Corporation	United Technologies Corporation
Hazeltine Corporation	Vought Corporation
Hughes Aircraft Company	Westinghouse Electric Corporation

UNIONS

Communications Workers of America, AFL-CIO
 International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers
 Marine Engineers' Beneficial Association, AFL-CIO
 United Brotherhood of Carpenters and Joiners of America, AFL-CIO

The CHAIRMAN. Having spent the weekend in Peoria, I can tell you that foreign assistance does not fly very well in Peoria, nor does it in most parts of Illinois, nor does it in most parts of the country. There is not a built-in constituency here in this country for it. It is not well understood.

I think your testimony and your appearance here today is very important. I am sorry that more Senators have not yet returned, but certainly, they will look through this record. I think your testimony is very important.

I don't want in any way to minimize the importance of it, but also, I do not want to forget to indicate that there is a tough job ahead. I think you have begun to make the administration's case today for the \$1.7 billion increase in U.S. security assistance programs, but we have just begun that process.

We will be holding subsequent committee hearings to look into those particular areas in greater detail. Particularly having just gotten off the plane last night after steady flying from some countries in the far Pacific area, let me say we have a pretty small percentage of our budget in that area which is a vital area to us, one with some very serious problems.

Other witnesses will have the opportunity during other committee hearings this week to make the case on a geographic basis. I will try to attend as many of those as I can to give my own input to some of them. In my judgment—and I am sure you don't underestimate it—I think you have a very difficult job ahead. The size of the proposed increase will simply not be understood by or accepted by most of the American public. We are going to have some serious objections to it.

The committee recognizes the need to provide aid to our close allies, but we also recognize the need to begin to balance our national budget. The greatest critics of our deficit come from abroad. They say we are exporting recession, that our high interest costs are destabilizing their currencies, draining money from their countries for investment coming in here for these very high returns. They are the ones who are saying for gosh sakes, get your budget down, get that deficit down. And yet at the same time, they are saying, oh yes, but don't take it out of our foreign assistance program, just as every domestic hall is crowded with people saying balance the budget, get those interest costs down, of course, everyone says don't take it out of education or health or some other special interest. Don't take it out of our special programs.

Well, our problem is to balance it all out. That is also the administration's problem. I urge you to continue your efforts to justify the increase. I foresee that at a minimum, I think substantial reductions will have to come on some of the programs.

I have Ambassador Henderson on the telephone. We are meeting today to talk about a crisis. I will simply put all of the questions in the record and relieve you of the responsibility for staying here any longer.

Let me express my appreciation to all of you for this first hearing on a vital program, but one that will have to be subjected to very close scrutiny, analysis, and study. I can assure you that we will give the time and thought to it.

Thank you very much. This hearing is adjourned.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

JUSTIFICATION FOR INCREASE IN SECURITY ASSISTANCE

Question 1. The \$8.7 billion security assistance program proposed for fiscal year 1983 represents an increase of about \$1.7 billion above the amount already authorized for fiscal year 1983 by Congress. In a year of a \$100 billion budget deficit and massive cuts in social programs how can such a large increase be justified?

Answer. We believe there is a compelling case for the additional resources we are seeking in our fiscal year 1983 authorization request. We strongly urge the Congress to review with us the evolving and increasing challenges to our global interests that have made this request necessary. Developments particularly in the Middle East, South Asia and here in the Caribbean Basin have made it imperative that we be armed with the level of resources needed to protect our interests.

By and large, the increase is sought to meet a few top priority requirements. Eighty-seven percent (\$3.4 billion) of the FMS guaranteed financing, for example, would go to seven countries: Egypt, Greece, Israel, Korea, Pakistan, Spain and Turkey. With respect to ESF and FMS direct credits, 77.5 percent (\$3.6 billion) would go to six countries, namely Egypt, El Salvador, Israel, Pakistan, Sudan and Turkey.

Without the funding sought in our fiscal year 1983 request:

We would not be able to provide sufficient FMS guaranteed financing to begin the Pakistan program at a desirable level, increase the Egypt and Israel programs, or support our negotiations for the Spanish bases.

We would be inhibited from using concessional assistance flexibly and increasing direct credits to needed levels for Egypt, Sudan, Turkey, Thailand, Morocco, Tunisia, El Salvador and Portugal.

The ESF level would not furnish needed incremental economic support to Turkey and other countries in the Caribbean region.

PKO is insufficient to fund the U.S. contributions to both the Sinai MFO (\$34.474 million) and the UNFICYP (\$9 million).

CONCESSIONAL CREDITS

Question 2. Last year Congress rejected the Administration's concessional direct loan request in favor of a mix of grant assistance and loan guarantees. This year the Administration again requests concessional direct loans. Why does the Administration believe this approach has more merit? Would the Administration strongly object if Congress retains the current grant-loan guarantee approach?

Answer. We agree with the Congress that grants are economically necessary for some countries, and we will therefore seek forgiveness or repayment on a portion of the loans for Israel, Egypt, and Sudan. There are a number of other countries who cannot afford to pay FFB interest rates for all of their FMS program, and we believe that low interest loans are appropriate to their needs.

Congress authorized and appropriated grants in last year's bill, but in the final analysis, at levels which are insufficient to fund the purchase of vitally needed military equipment. Appropriations for grants were well below the level necessary to provide comparable concessionalism to the request, and the total program had to be reduced because there were no corresponding increases in FFB guarantees.

Many countries, even the LDCs, can repay concessional loans. The reflows mean lower net outlays, and over time allow us to sustain the level of military credits necessary to help our allies and countries where security is important to us.

We do not think the Congress is prepared to authorize and appropriate \$1,739 million in grants and believe we cannot continue to offer high interest credit to countries who lack the capability to repay.

We would regret congressional action retaining the current mixture of grant and FFB guarantees.

SUPPLEMENTAL REQUESTS

Question 3. We understand that the Administration is going to propose a \$112 million fiscal year 1982 supplemental grant military aid request and a larger supplemental FMS guarantee request. This request would go only to the Appropriations Committee since the higher levels have already been authorized. Nonetheless, could you describe these supplemental requests in as much detail as possible?

Answer. We are requesting that the appropriations levels be raised to those authorized. The differences we seek to resolve include \$112 million in grant military assistance (including \$50 million in forgiven FMSCR authorized, but not appropriated for Sudan), \$186 million in FMS guarantees, and \$3.5 million in IMET.

The proposed allocation of these funds is shown in the attached table.

Fiscal year 1982 supplementals

[In millions of dollars]

Economic support fund.....	350
Belize.....	10
Costa Rica.....	70
Caribbean.....	10
Dominican Republic.....	40
El Salvador.....	128
Haiti.....	5
Honduras.....	35
Jamaica.....	50
Regional/AIFLD.....	2
MAP.....	62
El Salvador.....	35
Honduras.....	17
Somalia.....	10
Special requirements.....	25
	¹ 87
FMS credits.....	50
Sudan.....	50
FMS guarantees.....	186
Korea.....	29
Morocco.....	20
Portugal.....	20
Spain.....	25
Thailand.....	25
Tunisia.....	10
Turkey.....	82
	¹ 211
IMET.....	3. 51

¹ Includes \$25 million to be reprogrammed from Sudan.

CONTINGENCY FUNDS

Question 4. The President's fiscal year 1983 request contains a total of \$125 million in contingency funds; \$50 million for grant MAP and \$75 million for Economic Support Funds. Can the Administration get by without these contingency funds by reprogramming when necessary?

Answer. The extent to which unforeseen circumstances can be met through reprogramming depends on the nature of the event and the magnitude of the requirements as well as the funds available for reprogramming. This is especially problematic later in the fiscal year when most of the funds have been obligated. When an emergency arises, it is essential that we respond quickly. Determining a source of funds, and meeting other procedural requirements are time-consuming and can thus limit the effectiveness of the President's response. For example, in fiscal year 1981, in order to meet an unforeseen requirement, and because there were no other funds available, we had to reprogram funds earmarked for Israel and Egypt which then had to be repaid the following year. This reprogramming involved delicate political negotiations. We continue to believe that sound management of our critical security assistance programs calls for the ready availability of contingency funds to permit prompt and effective response to unforeseen requirements. Above all it would permit us to respond to an unforeseen crisis in one country without engendering a possible diplomatic rupture with another country from which the already allocated funds would have to be taken. Throughout, the Congress would be fully informed and consulted pursuant to the 15-day notification request paralleling the present reprogramming provision of section 634(a).

MILITARY/ECONOMIC BALANCE

Question 5. This supplemental request for military aid shifts the overall military-economic balance of the U.S. foreign aid program. In fiscal year 1982, military aid represented about 33 percent of U.S. foreign aid while in fiscal year 1983 it would represent about 40 percent. What are the consequences of such a shift on world perceptions of the U.S. foreign aid program?

Answer. It is correct that foreign assistance proposals for fiscal year 1983 increase security assistance more than economic assistance. This is necessary because we face uniquely difficult security challenges from the Soviets and their proxies and because we failed to provide adequate security assistance in the past. We believe objective observers would agree that this shift is essential to defend and support the security of our allies and friends, as well as our own international interests.

SECURITY ASSISTANCE PRIORITIES

Question 6. About 63 percent of the proposed security assistance program is allocated for the Middle East in fiscal year 1983. The combined program for Africa, Latin America, and Asia is only 18 percent of the total. Do you think the time has come to reassess U.S. security assistance priorities?

Answer. Our priorities are examined in detail each year as part of the extensive inter-agency budget review process. In general, priority goes to those areas where the threat to U.S. interests and those of our friends is greatest. At present that is the Middle East and Southwest Asia.

FISCAL YEAR 1983 SECURITY ASSISTANCE LEVELS

Question 7. This committee's March letter to the Budget Committee said that there is a "very real option" that aid levels should be held at those already authorized for fiscal year 1983. What would be the consequences of such Committee action? Could you provide us with a very detailed response by May 3 mark-up of S. 2227?

Answer. As far as security assistance is concerned, the short answer is that we would face real problems in maintaining our security posture at the present 1983 levels. We would be unable to: Meet critical needs of Israel and Egypt; provide sufficient FMS guaranteed financing to begin the Pakistan program at a desirable level; or support our negotiations for the Spanish bases.

If we sought to do so by reducing other existing programs it would devastate smaller, but equally vital programs in such countries as El Salvador, Portugal, Jordan and Korea.

Present legislation makes no provision for direct credit loans at concessional terms. We would be unable to use this valuable tool for providing security assistance to countries in which we have important security and foreign policy interests, but whose economy cannot bear the additional debt burden of conventional FMS loans. Countries affected include Egypt, Sudan, Turkey, Thailand, Morocco, Tunisia, El Salvador and Portugal. The limited amount of grant assistance authorized provided for fiscal year 1983 does not meet this need.

Extension of present ESF levels would mean funds would not be available to maintain stability in key areas such as Pakistan, El Salvador, Turkey, Jamaica, and Honduras.

Present IMET levels are far below our original fiscal year 1982 request and do not nearly reflect the benefits accruing to us from this small and extremely cost effective program. IMET has gained increasing support as we seek to concentrate our limited resources in other programs on the most critical countries.

Question 8. What urgency does the Administration attach to Congressional passage of the proposed changes? Must it be passed this year?

Answer. President Reagan last June authorized Secretary Haig to inform Chinese leaders that we were reviewing all legislation that prohibits cooperation by the Government or private industry with China due to its earlier association with the Soviet bloc. In addition, he decided that the Administration would seek appropriate Congressional action to end discrimination no longer consistent with our present strategic relationship.

The Chinese welcomed the President's decision as a very important indication that we intend to treat China as we do other friendly countries and to end outdated discriminatory restrictions on our relations.

We believe it is important to move ahead promptly to carry through on the President's decision and would very much like to see positive action by the Congress this year.

Question 9. Have the Chinese asked for economic or security assistance?

Answer. China has not asked for economic or security assistance. China has, however, noted on several occasions that U.S. law inappropriately identifies it with the Soviet bloc.

Question 10. The Administration has said that any programs with China would involve only modest amounts of money. Could you give us an estimate of how much money is involved?

Answer. We do not intend to establish a bilateral assistance program for China or to request funds for China.

If the Foreign Assistance Act is amended as we proposed, China would become eligible, as are virtually all other nations, to participate in on-going, centrally-funded, AID regional programs. For example, Chinese could be invited to participate in regional conferences and seminars, or joint research projects, in such areas as agriculture and energy. They are presently barred by law from doing so.

It is difficult to estimate how much money might be involved, since we would not budget a specific amount for China.

Question 11. Will Chinese participation in exchange and technical assistance programs reduce the participation of other friendly nations to whom we provide assistance?

Answer. We do not intend to reduce funds earmarked for bilateral assistance to other countries. Instead, we will allow Chinese to participate in centrally funded programs on the same basis as do citizens from other nations.

NOTIFICATION OF REPROGRAMMING

Question 12. Section 107 of the bill would set a \$50,000 floor for Congressional notification of reprogramming for the military training and international narcotics control programs. The Committee has recently received notifications of new training programs of \$15,000 each for Paraguay and Uruguay which we would not see under the draft bill. Why is this provision important?

Answer. The request threshold would not apply to new programs such as Paraguay and Uruguay, but only to those already justified to the Congress during the fiscal year by the Congressional presentation document or section 634A reprogramming.

The intent of the proposal is to enhance the effective management of the IMET program by eliminating the disproportionate administrative effort required to process numerous small reprogramming notices. The proposed legislation would increase our flexibility in responding to changing training requirements and allow us to better utilize U.S. military training capacity during the fiscal year, particularly toward the end of the fiscal year when the timely obligation of remaining funds is necessary to insure that important training opportunities which open up at the last minute are not missed.

Had such a threshold been in effect during fiscal year 1981, 16 of the 30 IMET notices would not have been required, thus permitting prompt execution of small but politically sensitive training programs. This amendment also would give us a fast reaction capability for response to opportunities that will affect the illicit narcotics environment.

Additionally, our proposed amendment would be consistent with the provision in the fiscal year 1982 foreign assistance legislation simplifying notification procedures.

PKO DRAWDOWN AUTHORITY

Question 13. Section 110 of the bill provides \$10 million in drawdown authority for peacekeeping programs. Why can this not be accomplished through reprogramming or supplemental requests?

Answer. The problem is that we lack the capability to respond to peacekeeping emergencies in a timely fashion. The drawdown authority requested would provide us the facility for immediately procuring the articles and services needed in a fast-breaking PKO situation. Under the present authority of section 552 of the FAA, we need to transfer funds available from other security assistance programs, funded under the FAA. This often results in a delay and inhibits us from responding to a time-sensitive peacekeeping operation involving a genuine military emergency. Reprogramming and supplemental requests would similarly entail delays and not enable us to rapidly respond to emergency PKO requirements.

EARMARKING

Question 14. The Administration bill would delete all Congressional earmarks for fiscal year 1983, earmarks that were agreed upon only a few months ago. Is not this proposal in clear disregard of Congressional intent?

Answer. It is a long-standing executive position that excessive earmarking impedes the President's effective utilization of funds appropriated in response to an estimate of requirements formulated as much as a year and a half before funds are available. Seventy percent of the fiscal year 1983 economic support funds were specifically earmarked. The most recent example of the difficulties in administration posed by extensive earmarks was the case of Nicaragua in fiscal year 1982. \$20 million in ESF was earmarked for Nicaragua in the authorization legislation, but the appropriations conference report made clear no appropriated funds were intended for Nicaragua.

Question 15. The Administration seeks an increase of \$300 million for Israel in FMS loans in fiscal year 1983, but a reduction of \$50 million in the grant aid portion. Senator Kasten has written to the President urging that the entire \$300 million increase be grant rather than loan. What is the Administration's position on this grant increase? How does this square with Israel's economic circumstances? What would be the impact on the Arab world if the \$300 million were made grant at this point in history?

Answer. As you know, the Administration's proposed foreign assistance budget provides for \$1.7 billion in FMS for Israel. The \$300 million increase over the fiscal year 1982 level reflects our longstanding commitment to Israel's security and our desire to help Israel maintain a technological edge in military capability in the region.

With respect to the portion of the \$1.7 billion to be provided as a direct credit I would note that Israel will get nearly 30 percent of all FMS concessional credits. With an eye to budgetary stringency and given the number of other FMS recipients with economic circumstances far more grave than that of Israel we believe \$500 million is an appropriate level consistent with the Administration's overall proposal for concessional credits and its fiscal year 1982 proposals.

While Israel's total external debt appears high (about \$18 billion at the end of fiscal year 1981), much of it is long term—for example, FMS repayment is 30 years, including 10 years grace on principal repayment. We are confident that with consistent application of policies designed to encourage exports and restrain domestic demand, Israel should be able to continue to service its debt without undue reliance on commercial borrowing or drawdowns of reserves.

With respect to the effect on other Arab States, I would note first that if there were a significant rise in the grant portion of FMS funding for Israel, which had to come at the expense of other programs, we could be hurt rather badly in other countries. In the immediate Middle East region we would be particularly concerned about possible impact on the Egyptian or Sudanese programs, especially given the support of both countries to the Middle East peace process.

Question 16. The United States is extending large FMS credits for a number of states in the Mideast. These loans are at a very high interest rate. Several of the nations involved will be expending a significant portion of their income servicing these debts in coming years.

Will the cost of servicing these loans cause significant economic strains in Israel, Egypt, Tunisia or Pakistan?

Have we discussed this question with the governments of these countries?

Could the large scale loans be reduced if the nations involved purchased other available equipment? Or is price not a consideration when prestige and security are involved?

Do these states anticipate that the United States will cancel or alter the terms of these debts in the future.

Answer. We give careful consideration to the costs of FMS credits and the strains that these loans will place on the recipient countries before we enter into the loan agreements. The repayment costs must be considered in light of the terms and the overall assistance packages proposed for these countries.

With respect to Israeli ability to repay additional credits, while Israel's total external debt at the end of 1981 is high, estimated at \$18 billion, much of the debt is long term. FMS repayment is 30 years, including 10 years grace on principal repayment. With consistent application of policies designed to encourage exports and restrain domestic demand, Israel should continue to be able to service its debt without undue reliance on commercial borrowing or drawdowns of reserves. The proposed ESF grant of \$525 million and the very concessional ESF

loan of \$260 million will help Israel to ease its international payments difficulties.

The proposed increase in the forgiven portion of Egypt's FMS credits from \$200 million in fiscal year 1982 to \$400 million in fiscal year 1983 reflects both the increase in the overall program level and the continuing need to avoid increasing the burden of the program on Egypt. A significant portion of our proposed ESF program and our Public Law 480 program is designed to accelerate Egypt's long-term economic development and thus its capacity to generate foreign exchange sufficient to service its overall foreign debt obligations.

We have asked that half of the fiscal year 1983 FMS credits for Tunisia be concessional because we recognize it would be counterproductive to Tunisian security to divert very many resources from economic to military development. Offering such concessional credits would make us a partner in building up the Tunisian defense establishment in a way which does not undermine the economic vitality necessary for Tunisia's long-term security.

The issue of debt service burden was intensively analyzed during the time we were formulating our 5-year package proposal for Pakistan last summer. That analysis was taken into full account in the structuring of the package, and was discussed in detail with the GOP. The conclusion was that the additional burden, while not insignificant, should be supportable. During the peak years of the repayment profile, Pakistan's total debt service payments would be increased by between 10 and 20 percent, but overall, its debt service ratio will be fairly modest compared to other developing countries.

During the consideration process, we of course consult with the recipient governments. These consultations include issues such as repayment schedules and the burden these costs will place on each economy. The governments in question are aware of the obligations they are contracting. They are also fully aware that the United States cannot cancel or alter these debts at some future time.

Equipment sales must be fully consistent with the arms transfer criteria established by this Administration (e.g. is the equipment appropriate to the potential threat; will the equipment enhance the recipients ability to participate in collective security efforts with the United States; is the transfer consistent with U.S. interests in maintaining stability in the region; will it promote mutual interests in countering externally supported aggression; and is the transfer compatible with the needs of U.S. forces). The equipment choices that have been made by these countries generally reflect reasoned decisions aimed at best meeting each nation's defense needs and modernization efforts. Often very difficult choices are required to meet the scope of mutually agreed upon priorities. Equipment selections also reflect the frequently small price differential between the most modern equipment and lesser items. Frequently, equipment choices are based on availability, with older, less expensive items frequently no longer being available except from the stocks of the U.S. armed forces or reserves. Lastly, the selection of the most modern equipment available is often based on the premise that it will be available and useful in the face of the potential threat for a longer period of time than would a piece of older equipment.

EGYPT—INCREASE IN GRANT AID

Question 17. What will be the impact on Egypt if Congress refuses to provide an additional \$200 million in grant aid for fiscal year 1983?

Answer. We have undertaken to provide substantial military assistance to Egypt in response to its security needs, this in the context of the key role played by Egypt both in the pursuit of the peace process with Israel and on regional security matters. Failure to provide the grant assistance that we have proposed would have both economic and political costs.

Under the President's proposal, Egypt will pay market rates on guaranteed credits of \$900 million. This, combined with debt service on previous FMS loans and those anticipated in future years, constitutes a significant addition to Egypt's overall debt service. By proposing an increase of \$200 million in the grant portion of the military modernization program (in addition to the \$200 million already appropriated), we are lessening the impact on Egyptian foreign exchange which otherwise would be used for economic and social development.

More serious than the economic impact would be the political message conveyed by a failure to provide the additional grant requested. This was an offer made directly by President Reagan to President Mubarak during the latter's State visit in February. In the context of Egypt's increasing economic problems, and its continuing commitments to our vital interests in pursuit of regional peace and security, the failure to carry through on this offer will be viewed as a clear

signal of reduced U.S. support to what has been a "full partnership" between our two nations. If the United States sends such a signal to Egypt, we can only expect that Egypt may, over time and as it sees appropriate, reassess its commitment to that partnership.

Question 18. Last year Congress provided special waivers so that Pakistan could receive foreign aid, and this year we have a request to increase aid to Pakistan by \$350 million. Could you tell the Committee if the Administration's non-proliferation strategy with regard to Pakistan shows signs of succeeding?

Answer. As you know the Administration's non-proliferation strategy is based on addressing over time the basic security concerns which have motivated Pakistan's nuclear program and on developing a relationship of confidence with the Government of Pakistan which would eventually give us greater influence with that Government. We are at present at the very beginnings of the new relationship and, indeed, the first economic assistance funds under the fiscal year 1982 budget were only disbursed to Pakistan last month. It is obviously too early at this time to draw any conclusions about how our new security relationship with Pakistan will impact on its nuclear program. We have, however, made clear to the Pakistan Government that a nuclear explosion would have serious consequences to our bilateral relationship.

Question 19. The 1983 request shows a \$70 million military aid increase for Tunisia, but a reduction of \$5 million in economic aid. This economic aid reduction is directly contrary to the Congressional mandate for fiscal year 1983. Do you not believe that economic aid for Tunisia is important?

Answer. Tunisia intends to purchase a modest amount of military equipment from us. We propose an increase in FMS for Tunisia from \$85 million in fiscal year 1982 to \$140 million in fiscal year 1983 in order to facilitate the orderly procurement of equipment Tunisia has requested. Without FMS credits, Tunisia would be forced to divert funds from economic development to military procurement. Thus FMS credits serve much the same purpose as economic assistance in the overall context of Tunisia's budget.

We continue to believe that economic assistance is important to Tunisia. For this reason, we are proposing \$10 million of Public Law 480 Title I assistance and a modest amount of Public Law 480 Title I assistance and a modest amount of Title II assistance in fiscal year 1983. This reflects our view that Public Law 480 is the better means to fund the agricultural project on which we are cooperating with Tunisia, especially given all the other competing requirements for ESF. U.S. Development projects will also continue in Tunisia in fiscal year 1983. This mix of economic assistance should be appropriate to satisfy Tunisia's most pressing needs.

SECURITY ASSISTANCE INCREASE TO TURKEY

Question 20. The Administration's fiscal year 1983 request for Turkey has a net increase of \$115 million in security assistance, yet you seek to delete the \$280 million FMS earmark for Greece. Does this not send exactly the wrong signal to the new government in Greece?

Answer. The Administration's fiscal year 1983 FMS request for Greece is for \$280 million. Continuation of such a significant level of security assistance to Greece—our fifth largest military assistance figure—demonstrates our effort to help meet Greece's security needs as a full member of NATO and our desire to have the best possible relationship with the new government. We seek to delete legislative "earmarks" as a matter of general policy in order not to infringe upon what are more properly Executive Branch responsibilities for the management and execution of programs.

Question 21. Does the Administration believe that it could at this time make the certifications required by Section 728 of last year's bill in order to provide aid to El Salvador? If a right wing coalition government emerges in El Salvador which is opposed to continued economic reforms, would such a certification be made?

Answer. The major political parties in El Salvador are currently negotiating about the nature and composition of the new government that will emerge as a result of the March 28 election. It is premature to speculate about the policies a new government might adopt or how this would affect the certification required in July. We have made it clear that the U.S. strongly supports the continuing implementation of the important political, economic and social reforms that have been instituted in El Salvador over the past 2 years.

Question 22. The fiscal year 1983 request shows a \$20 million reduction for economic aid to Nicaragua. If current talks with Nicaragua are successful, would additional aid be provided?

Answer. We have submitted an eight-point proposal to Nicaragua that we feel is reasonable, balanced, and, if adopted, would alleviate their fears and our concerns. However, no part of the agreement will be adopted unless all eight points are agreed upon, and, more specifically, unless Nicaragua ceases its support for the Salvadoran guerrillas and for destabilization in neighboring countries. That point remains the *sine qua non* of our proposal.

One of the eight points proposes a new economic relationship with the Government of Nicaragua. This point, if adopted, would allow Nicaragua to benefit from the additional trade concessions, private investment, and other aspects of our Caribbean Basin Initiative. In addition, the United States Government would ask the Congress to re-establish direct aid to the Nicaraguan Government. If our current talks with the Nicaraguans are successful on all points and the Congress agrees, the United States would re-establish aid to the Nicaraguan Government.

Question 23. The fiscal year 1983 request provides for \$50,000 in military training for both Argentina and Chile. This would require two Presidential certifications. Will they be made and will aid be provided in light of (1) Argentina's attack on the Falkland Islands and (2) the Justice Department's concern that Chile has not met the certification requirements concerning the Letelier case?

Answer. The Presidential certifications required to permit the renewal of security assistance and arms sales to Argentina and Chile are currently under review by the Administration. It is not possible to state at this time when action on the certifications will be taken.

OMANI REQUEST FOR INCREASED U.S. AID

Question 24. Omani officials recently expressed their desire for increased U.S. aid, yet the current bill would increase the fiscal year 1982 level by only \$10 million. How is this being received in Oman?

Answer. Our fiscal year 1982 aid requests for Oman included \$30 million in FMS credits. Our fiscal year 1983 request figure in this category is \$40 million. These figures compare with fiscal year 1980 and 1981 authorizations of only \$25 million annually. In the June 1980 Facilities Access Agreements these \$25 million commitments were described as representing "important first steps in establishing a longer term cooperative security assistance relationship." Fiscal years 1982 and 1983 requests thus represent augmentations in the ongoing spirit of the original commitment. While recent press reports have quoted Omani officials as presenting much higher figures (\$200 to \$250 million in grant arms assistance), we have received no request for specific levels of aid in future years. Nor has the Government of Oman commented on the fiscal year 1983 budget proposal.

Question 25. What is the Administration's policy on arms sales to Taiwan?

Answer. There has been no change in the Reagan Administration's policy on arms sales to Taiwan. That policy has, and will continue to be, conducted in a manner fully consistent with the provisions of the TRA.

JORDAN ARMS SALES

Question 26. Do we now expect Jordan to make a formal request for the purchase of F-16s and mobile I-HAWKs. If we receive such a request, what will be U.S. policy?

Answer. With respect to the question of new arms sales to Jordan, as we have said before, we do not have any requests from Jordan. At the same time, we recognize that Jordan has legitimate self-defense needs and we want our long-standing military supply relationship with Jordan to continue. Our friends in the region should be confident that we are interested in their ability to defend themselves.

Finally, the President has made clear that any decision on future sales to Jordan or any other country in the region will be made in the context of the Administration's firm commitment to Israel's security and the need to bring peace to the region.

TURKEY: ADVANCED FIGHTER AIRCRAFT

Question 27. What is the status of Turkey's request for nearly 300 advanced U.S. aircraft? Will the U.S. provide advanced fighter aircraft to Turkey?

Answer. The Government of Turkey has requested Letters of Offer and Acceptance (LOA's) for 291 advanced fighter aircraft in Turkey, most of which would be coassembled in Turkey.

We and other NATO Allies have long recognized Turkey's need for a more modern fighter aircraft. However, financing such a program would clearly be a major hurdle for ourselves as well as the Turks. Coassembly/coproduction are additional factors to be considered.

We are studying carefully the GOT request, in light of regional considerations and the enormous financing involved. We have not yet reached any conclusion and cannot predict when a decision might be made.

Question 28. Reports indicate that the Saudis are interested in purchasing the XM-1 Abrams tank, the new infantry fighting vehicle, and possibly frigates. What is the status of these requests and of the U.S. response?

Answer. A classified response has been provided.

ANTI-TERRORISM TRAINING PROGRAM

Question 29. Why is it preferable to place the proposed anti-terrorism program within the State Department, as opposed to some other agency of the U.S. Government? What benefits accrue from the State Department handling the program? What do you see as possible negative consequences of the State Department's managing a police training and equipment program?

Answer. The Department of State is the lead agency within the United States Government for dealing with international terrorism. No other agency operating overseas has this responsibility nor the overall competence to deal with this political issue. The USG response to international terrorism must be managed as a part of our overall foreign policy, including our legal and policy commitments to human rights, as well as our bilateral relationships. In addition, a model for management of this program already exists within the Department of State in the training program of the International Narcotics Program. We do not foresee any likely negative consequences of the State Department's managing this program because foreign governments already work with the Department of State on combatting terrorism.

Question 30. Are we recruiting countries to participate in this program or are countries coming to us on their own initiative?

Answer. Over the past few years, a number of countries have approached us on their own initiative requesting assistance in the anti-terrorism area. We intend to evaluate these requests by the criteria approved for participation when Congressional authorization has been obtained and will be responding to these requests. There may be cases where terrorism is a particular problem for U.S. interests and the country concerned has not made a request. We would want to be able to discuss that with the country and provide training.

Question 31. Which other countries administer anti-terrorism training programs? Will we be filling a gap in such training by authorizing the program, or is it redundant considering the programs of other countries?

Answer. We are not fully informed as to the extent of anti-terrorism training offered by other countries, but we know that some of our allies are providing training of this sort. We have not been able to cooperate and have been reluctant to raise an issue on which we were not able to make a contribution. We know from the requests we have received that training by our allies is rather limited. We believe therefore that our program will be filling numerous gaps. We intend to consult with our friends in order to coordinate our program with theirs to encourage them to do more and also to insure that there will not be any redundancy.

Question 32. At present, you estimate that 15 countries are interested in participating in the proposed program. Which countries are you talking about? How many other countries do you expect to participate in the program during fiscal year 1983? Isn't \$5,000,000 a large amount to authorize for a program which is not yet certain of its client base?

Answer. In the past few years we have received inquiries about assistance in anti-terrorism training from a number of countries, and we believe that there are many more who are interested in such training. However, pending Congressional authorization, we have not discussed anti-terrorism training with any governments nor have we yet prepared a list of potential participants. We have not wanted to encourage requests we could do nothing about. For the first year of operations, fiscal year 1983, we estimate that we could provide training for upwards of 1,000 participants from approximately 15 to 20 countries, depending on how early in the year the program is funded and how quickly we can organize this rather complicated program. Using the experience of other USG international exchange programs, we estimate an average cost per trainee of \$4,000 which, together with some provision for a limited commodity program and general administrative costs (\$400,000), adds up to our estimate of \$5 million for the first-year costs of this program.

Question 33. Where will the largest allocations in dollar amounts be made for participating countries?

Answer. We expect that the largest allocations in dollar amounts will be in Latin America (particularly the Caribbean), Africa, and South Asia.

Question 34. As you know, Section 502(b) of the Foreign Assistance Act states that security assistance cannot normally be provided to countries the governments of which engage in a consistent pattern of gross violations of internationally recognized human rights. Do you consider the proposed program to be subject to the restrictions imposed by Section 502(b)? If not, why? Are you prepared to provide this Committee with a current report on the human rights conditions in each country wishing to participate in the program prior to approval of the request? If not, why? How many of the 15 governments targeted for involvement in the program have been characterized as serious human rights violators?

Answer. We will consider human rights in this program as we do in deciding other forms of aid. Our draft statute for authority to conduct this program will amend Section 502 of the Foreign Assistance Act to bring this program under the 502(b) limitations. As of this moment, we have not yet selected a list of countries for participation in this program. We intend to consult with Congress on the initial list of potential participating countries when we have obtained Congressional authority for the program and have prepared such a list. The human rights requirements of Section 502(b) of the FAA will be one of the criteria for selecting countries and the Congressionally mandated State Department human rights reports are available to Congress for all countries selected.

Question 35. According to the appropriation summary statement for the proposed program, "There may be other areas of training which would support the anti-terrorism mission of the program. Upon a determination that such training would be necessary and relevant to the mission of the program, we will undertake to provide it." What other areas of training are we talking about? Does this include intelligence collection and surveillance techniques? What criteria will apply in determining whether other training is appropriate?

Answer. The appropriation summary statement and our formal testimony mentions the types of training which we consider most relevant and necessary at this time. The reference to other areas of training is a general one, and intended to cover types of training which may be required if terrorists change their tactics and objectives, e.g., using chemical and biological agents. Our proposed training program will be a learning process for participating countries and, hopefully, for us as well. New techniques for dealing with the terrorist threat may be developed. As for intelligence training, almost all governments have their own intelligence service. We do not plan to provide intelligence training under this program at this time. If later we believe it necessary to provide training in anti-terrorist intelligence, we will fully consult with the Congress.

Question 36. You have requested that we eliminate the prohibition on foreign assistance to China. Are you contemplating any foreign assistance programs if we remove the prohibitions? If so, what kind of programs?

Answer. We do not plan to establish a bilateral assistance program for China, nor to ask for funds for China.

If the Foreign Assistance Act is amended as we proposed, China would become eligible, as are virtually all other nations, to participate in on-going, centrally-funded, AID regional programs. They are presently barred by law from doing so.

Under this approach Chinese could be invited to participate in regional conferences and seminars, or joint research projects, in such areas as agriculture, energy, and demography. For example, Chinese could participate in programs supported by AID at the International Rice Research Institute in the Philippines or the International Fertilizer Development Center in Muscle Shoals, Alabama which AID supports as a worldwide center for technical assistance and training in fertilizer use, manufacture, storage, distribution. Such programs in Muscle Shoals would provide short-term technical assistance and training and could have positive implications for U.S. fertilizer exports and the construction of fertilizer plants in China.

We have not discussed any of these programs with the Chinese and would not do so before the law is amended.

Attached is a paper which describes the kinds of programs we might consider inviting Chinese to participate in.

DECREASED FUNDING REQUEST FOR THE INTERNATIONAL ORGANIZATIONS AND PROGRAMS (IO&P) ACCOUNT

Question 37. You propose to reduce our contributions to international development organizations by 20 percent. Is this a reflection of your overall desire to reduce our participation in multilateral organizations?

Answer. The Administration is requesting \$173 million for voluntary contributions to the U.N. and OAS in fiscal year 1983. This decrease of \$16 million from the fiscal year 1982 request (\$42 million from the fiscal year 1982 appropriations level) reflects the Administration's recognition of the need for budgetary restraint in order to improve the national economy.

In general, we have concluded that U.S. bilateral and multilateral aid have different comparative advantages, depending upon the U.S. objective in question, and complement each other. On one hand, the U.S. bilateral aid program can often move quickly to support U.S. short-term political interests and priority countries. Multilateral assistance primarily serves long-term U.S. interests and promotes a stable international economic environment. The overall levels of our program, of course, must reflect the need to reduce Federal spending at all levels and the demands placed on our bilateral assistance program by changing economic and security circumstances.

This requested level, when coupled with the strength of our past support and interest in Third World programs, should still be sufficient to assure our continued interests and leadership in the councils of these organizations.

EFFECTS OF CUTS ON OTHER DONORS

Question 38. If we make your intended cuts in our contribution to UNDP and UNICEF, what do you expect will be the reaction of other donors?

Answer. There is no reason to believe that our decreased fiscal year 1983 requests for UNDP and UNICEF will have any significant effect on the contributions of other donors. Many other donors are faced with domestic budgetary restraints as are we. This, more than the level of U.S. contributions, is likely to be a strong determinant in the amounts given by other donors in the future.

Even at reduced levels, we believe our contributions to UNDP, UNICEF and other programs in the International Organizations and Programs account should still be sufficient to maintain the organizations' viability and assure a continued leadership role for this country in them.

DECREASED UNICEF FUNDING

Question 39. The Administration is on record as urging a greater reliance on private giving and less on government support. Yet you intend to cut our contribution to UNICEF by 37 percent, an organization which has worked hard to obtain substantial support from private Americans. What message is this intended to send to the American public and other development organizations?

Answer. The Administration's request for a contribution to UNICEF must be considered in the context of the Administration's total request for voluntary contributions to international organizations and programs. The Administration is requesting \$173 million for all U.S. voluntary contributions (International Organizations and Programs account) to the United Nations and the Organization of American States in fiscal year 1983. This decrease of \$16 million from the fiscal year 1982 request (\$42 million from the fiscal year 1982 appropriations level) for the account through which UNICEF is funded reflects the Administration's recognition of the need for budgetary restraint in order to improve the national economy. Reducing the total also has forced a decrease in the amount of our request for a U.S. contribution to UNICEF, which remains one of the largest programs in the account and, which, unlike other organizations, is able to obtain some 17 percent of its funding from non-governmental sources.

Even at the reduced level of \$26 million, we believe our contribution for UNICEF, when coupled with the strength of our past support for its programs, should still be sufficient to assure a continued leadership role for this country in the organization.

The request we are making seeks to strike a balance between continued strong United States support for UNICEF and the current domestic budgetary stringencies; in no way should our decreased contribution be interpreted as an indication that we no longer remain a staunch supporter of UNICEF. Our belief is as firm as ever that UNICEF serves important United States political, economic, and humanitarian interests in the developing world by acting as a catalyst for programs which truly help mothers and children. I am confident that our \$26

million proposed contribution will greatly aid UNICEF in its efforts to reduce infant mortality, improve child development through primary education and through helping mothers to care better for their children in some 111 nations.

UNITED NATIONS ENVIRONMENT PROGRAM (UNEP)

Question 40. The U.N. Environment Program has shown considerable political and substantial success in helping clean up pollution in the Mediterranean, and is beginning a similar undertaking in the Caribbean, an area of high priority to the United States. Yet you intend to cut our contribution to that organization by nearly two-thirds. Why?

Answer. The \$3 million request for UNEP aims at achieving net savings in keeping with the Administration's fiscal targets. UNEP, because it has a catalytic and coordinating function, as opposed to one involving long-term project implementation, is in a better position than some U.N. specialized agencies to adjust to reduced budgets without harming its most important programs. This can be done by reducing or postponing starts of new programs and concentrating on those proven to be effective, for example, Earthwatch GEMS monitoring and assessment, regional seas, and tropical deforestation. We would hope that under reduced funding UNEP would be more selective about its programs and focus them more sharply, which may result in more effective management. In fact, anticipating reduced contributions, UNEP has already prioritized its programs placing greatest importance on those such as GEMS (Global Environmental Monitoring System), which are of primary importance to the United States.

Throughout UNEP's existence the United States has been by far its largest contributor. At a level of \$3 million, we would still remain among the major contributors and at the same time signal other countries benefiting from UNEP's programs that they should assume a greater share of the burden. Also, by giving evidence that U.S. support is not automatic, we would signal to UNEP management that we remain concerned over some aspects of UNEP's operation, without calling into doubt our fundamental commitment to international environmental issues.

INTERNATIONAL NARCOTICS CONTROL FISCAL YEAR 1983

Question 41. Section 481 of the Foreign Assistance Act of 1961, as amended, requires the President to submit a report to Congress no later than February 1 of each year on the status of "United States policy to establish and encourage an international strategy to prevent the illicit production of and to interdict and intercept trafficking in narcotics." To our knowledge the Report has not yet been submitted to Congress.

Why the delay? Who is responsible for preparation of the Report?

Do you believe the INM fiscal year 1983 program request will be consistent with the policies articulated in the Report when it is submitted to Congress?

Answer. As we stated in our letter to the Speaker of the House, February 1, 1982, the Drug Abuse Policy Office of the White House, directed by Dr. Carlton Turner, is responsible for preparing an overall policy document on the Federal strategy to reduce drug abuse. This document, of course, will discuss the international strategy to prevent illicit production of and to interdict trafficking in narcotics. The report has been delayed until summer 1982, since it seemed more appropriate to submit one overall strategy which comprises all elements. I do believe that the fiscal year 1983 INM program request will be consistent with the policies articulated in the report since the segment relating to international strategies has been reviewed by the Bureau.

Question 42. The total program request for fiscal year 1983 when allocated on a functional regional and regional basis and when compared against the fiscal year 1982 request appears to place somewhat greater emphasis on Latin American programs and within that region increased emphasis on Opium/Heroin efforts at the expense of marijuana/cocaine. Additional program decreases are proposed for East Asia and the Near East and South Asia where the problems are opium/heroin.

Do you agree with the overview assessment and if so, what is the basis for the modest shift in emphasis?

Answer. You are correct that our program funding request for fiscal year 1983 reflects an increase of \$5.43 million for Latin America and a decrease of \$1 million for Asia when compared to our fiscal year 1982 request. The relative balance between our opium/heroin effort and our coca/marijuana effort can best be described by a comparison of our fiscal year 1982 and fiscal year 1983 requests by major producing country. Our request for fiscal year 1983 in both areas has increased relative to fiscal year 1982 as indicated below:

[By fiscal years, in thousands of dollars.]

	1982	1983
Coca/marijuana:		
Bolivia.....	\$240	\$1,000
Colombia.....	2,730	3,600
Peru.....	2,900	4,600
Total.....	5,870	9,200
Opium/heroin:		
Burma.....	6,000	5,000
Thailand.....	2,400	2,300
Mexico.....	5,600	7,700
Pakistan.....	2,900	3,000
Total.....	16,900	18,000

Even these figures do not tell the whole story, however. For example, the fiscal year 1982 request for Burma includes more than \$1 million one-time, nonrecurring expense for purchase of a fixed-wing aircraft. Thus, there is no real decrease in the program level of our opium control effort there. On the other hand, unexpected Mexican budgetary constraints required us to supplement fiscal year 1982 funds through Congressional notification by \$2.9 million in addition to the \$5.6 million requested for a total of \$8.5 million. Thus, our fiscal year 1983 request of \$7.7 million reflects a slight decrease, i.e. \$0.8 million rather than a \$2.1 million increase. Furthermore, there is a fundamental problem in attributing our Mexican problem to either opium or marijuana. The air fleet, which the bulk of our support sustains with a maintenance contract, is indivisible in its surveillance and aerial spraying of opium poppy and marijuana.

In sum, though, we do not perceive any increase in one area at the expense of the other. The funds we have requested in both geographic areas represents what we believe our foreign partners in the drug control effort will be able to utilize effectively. The shifts in funding among the various producing countries reflect our assessments of shifting opportunities for narcotics control in an individual country because of conditions there or in our own ability to offer certain forms of assistance.

Question 43. The fiscal year 1982 request included a State Department plan to undertake a "Caribbean Regional Narcotics Program" aimed at establishing better law enforcement coordination in the region. The fiscal year 1983 request does not include a specific program for the Caribbean, and Jamaica in particular, but instead requests \$900,000 for a Latin America and Caribbean Regional Program focusing on interdiction of trafficking from Latin America to the United States.

Considering that the Caribbean is the transit point for an estimated 70 percent of the cocaine, large amounts of dangerous drugs, and 70 percent of the marijuana entering the United States, shouldn't the region be accorded a higher priority in the fiscal year request?

Answer. Our basic international narcotics control strategy is to attack illegal drugs as close to the source as possible. Our top priority is to seek to engage in cooperative eradication programs with all the key producing countries in Latin America, since this is the most effective way to reduce supplies entering the United States. In the interim and as a complementary policy, we are working with such countries to expand and improve their capabilities to interdict the export of the illicit drugs; internal controls, or controls at their borders, are more productive than similar measures farther down the transport chain. While the Caribbean area is, as you note, a major trafficking area, with one exception the countries of the area are not producing illicit drugs for export to the U.S. market. Recognizing the importance of working with them to improve their interdiction capabilities, we do not, however, feel we should target significantly larger amounts of our budget from our top priority objectives in Latin America—the producing countries. INM remains flexible in its approach to the problem and is always willing to reprogram funds, with Congressional approval, as might be appropriate to take advantage of a particular window of opportunity which might open in the area.

Question 44. Are any country-specific requests for the Caribbean under consideration at this time?

Answer. There are no country-specific requests for the Caribbean at this time. We do, however, anticipate that the large part of our requested "regional" funds will be expended in the key countries of the Bahamas, Haiti, and Jamaica. The

former comprises a major trafficking area; the second sits astride the Windward Passage, a key trafficking route; and the latter is a producer and exporter of illegal marijuana. As will be noted from our Congressional Submission, most of our regional funds are planned for transport and telecommunications commodities and services, the two key sectors of need in this geographically dispersed area. Specific programs still must be worked out depending on the results of ongoing cooperative efforts and constant review of where the best opportunities exist to obtain the most noticeable results from the limited funds we have available.

Question 45. A fiscal year 1983 request of \$1,000,000 for Bolivia is proposed to assist Bolivian law enforcement in planning and implementing coca eradication and interdiction efforts. However, the request is conditioned upon the Bolivian government demonstrating that it is "willing and able to take concrete actions against illicit cultivation and cocaine refineries." Exactly, what does this phrase mean?

Answer. We have informed the Bolivian Government of President Torrelío on several occasions that prior to the resumption of any meaningful international narcotics program or U.S. development assistance, the government must demonstrate it is serious about addressing the problem of the illicit production and export of cocaine. We have explained that concrete actions to demonstrate this seriousness of intent would include such things as development of a detailed eradication plan for the illicit coca in the Chapare region (a plan which the government must be prepared to implement), inauguration of an effective interdiction effort within the country against the illicit movement of coca leaves, enforcement actions against significant narcotics traffickers within the country and a crackdown on internal corruption (which in large part is still attributable to illicit drug money), etc. Further, we expect the government to fulfill two recent commitments it has made to undertake a small-scale trial eradication program in the Ypacani region, and to amend its new narcotics law which contains certain provisions which are inconsistent with Bolivia's international commitments.

Question 46. Since the coming to power of General Torrelío last summer, has the Bolivian Government demonstrated a greater resolve to distance itself from international cocaine production and trafficking?

Answer. General Torrelío's government clearly appears more desirous of tackling the narcotics issue than its predecessor. Torrelío and some of his ministers have made positive statements and the government has taken a limited number of actions to demonstrate that it is seeking to sever the link with illicit drug production and trafficking. To the best of our knowledge, the complicity of senior members of the government in trafficking (which existed under the previous government) has ceased. We are looking forward to further indications that the Government of Bolivia will carry out the commitments it has made to us in this area.

Question 47. Last year, Section 481(D) of the Foreign Assistance Act was amended to permit the use of U.S. assistance for crop eradication programs using the herbicide paraquat. The law also authorized the expenditure by the Secretary of State of up to \$100,000 to continue research on the development of an effective marking agent for paraquat.

What is the status of the marker research? How much of the \$100,000 has been spent since last year on marker research? Are we any closer today to the development of an effective marker than we were one year ago?

Answer. INM has been working on the development of a marker since 1979 and has identified micro-encapsulated dLDM as the preferred alternative. Field testing was completed in December 1981, at the University of Mississippi and the marker has been found initially to be satisfactory. We are negotiating with the manufacturer for a production run quantity of the marker. When delivered, the micro-encapsulated dLDM will be turned over to the USDA for final testing and evaluation. Since work on the development of a marker began, INM has spent \$104,000 on this project. So far, fiscal year 1980 and 1981 funds have been used, but fiscal year 1982 funds will be required for the purchase of the marker for testing and evaluation.

As you can see, there has been considerable progress in the development of a satisfactory marker. In the past year we have moved from research and development to a point where we are planning to test the marker under actual conditions.

Question 48. Regarding Colombia, the fiscal year 1983 submission includes a request for about \$2,000,000 to support a crop eradication program by the Colombian National Police. The request notes that before making a decision on U.S. Government support for any herbicide eradication proposal the State Department

is taking steps to comply with the National Environmental Policy Act and E.O. 12114 which concerns major federal actions that may have environmental effects abroad.

What steps are being taken by the Department to comply with NEPA and the Executive Order? Does this include an environmental impact statement? When do you expect the review process to be completed?

Answer. The National Environmental Policy Act requires the preparation of a Programmatic Environmental Impact Statement (EIS) where a United States Government supported action abroad may have an adverse effect on the health of Americans. In order to meet this requirement, INM is preparing a "programmatic" EIS which will address possible environmental impacts which may occur in the United States due to a marijuana eradication program in the Western Hemisphere outside the U.S. The first step in the preparation of this EIS, a scoping session for interested parties, public and private, was held in the Department on March 30. The draft EIS should be ready to circulate for comment to all interested parties by mid-June. The Department has added the Senate Foreign Relations Committee to its mailing list for the Draft. The Final EIS is expected to be completed by September.

Executive Order 12114 stipulates that environmental concerns be addressed in a foreign country where a USG agency provides to that country "a product ... which is prohibited or strictly regulated by Federal law in the United States". INM will prepare concise environmental reviews for each affected country before supporting any marijuana eradication efforts using a herbicide.

Question 49. Would you be willing to provide this Committee with the results of your efforts to comply with NEPA and E.O. 12114 prior to initiating any spraying programs?

Answer. INM will be pleased to provide the Committee with copies of any environmental studies before initiating any marijuana eradication projects abroad which involve herbicide.

Question 50. Many informed observers expect another excellent opium harvest in the Golden Triangle this year. There are also some as yet inconclusive signs that the percentage of refined opium from the Golden Triangle reaching the United States is on the increase.

What steps are we taking through the International Narcotics Control Program to deal with the potential reemergence of the Golden Triangle as a major source of heroin for addicts in this country? Are the fiscal year 1983 requests adequate to address the problem?

Answer. The International Narcotics Control Program in Thailand and Burma (we have no assistance programs in Laos) is a multi-faceted approach to interdiction, crop control, and demand reduction. In Thailand, in conjunction with Drug Enforcement Administration, Agency for International Development, U.S. Department of Agriculture and Customs, we have developed enforcement projects, income replacement programs for crop control, and projects for drug abuse treatment and rehabilitation and demand reduction education. The Thai Government has been active in enforcement, controlled substantially the flow of chemicals needed for heroin refining, sought to enforce the poppy ban in a producing area in the North, and with a military attack destroyed the main base camp in Thailand of Chiang Chi-fu, the notorious opium war lord of the Thailand/Burma area. While the Royal Thai Government did not capture Chiang Chi-fu it did capture significant amounts of military and communications equipment, destroyed an as yet undetermined amount of unharvested opium poppy, and temporarily dislocated some heroin refining in the area. Most importantly, the activity and the resultant publicity has raised the consciousness of the Thai public to the dangers of allowing narcotics traffickers to exist in and control significant portions of Thai territory. The Royal Thai Government has assured us that they will continue to pursue Chiang Chi-Fu and prevent his reestablishing himself in another area of Thailand.

In Burma, the International Narcotics Control program is limited to enforcement assistance. The government normally eradicates acreage under poppy cultivation. According to the Burmese, they destroyed between 10,000 and 15,000 acres of poppy this year (1982). However, the government does not control large areas of its territory and cannot conduct eradication activities in these areas where much of the opium is grown.

In addition, the Socialist Republic of Burma conducts yearly campaigns, called Mo Hein, against heroin refineries. These military sweeps are conducted with U.S. provided fixed-wing aircraft and helicopters and are supported by U.S.-provided communications equipment.

The fiscal year 1983 budget request of \$2.3 million for Thailand and \$5 million for Burma includes sufficient funds to maintain or respond to the opportunities for programs in these countries that have been demonstrated to be effective in reducing the growth, refining, and trafficking and use of narcotics in the Golden Triangle. INM constantly reviews its programs to ensure that they are funded appropriately and that they are being actively pursued.

DEFENSE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED
FOR THE RECORD

Question 1. Congress authorized \$42M for military training for fiscal year 1983 and the Administration requested an increase of about \$12M above that level. Congress also provided a new cost definition so that each dollar of the IMET program goes further. Why is a nearly 30 percent increase required?

Answer. Congress approved an incremental costing procedure for the IMET program in fiscal year 1981. However, fiscal year 1982 is the first full fiscal year in which the program, and its recipients, will benefit. As a result, this year we anticipate that about 6,600 students will receive training in nearly 10,000 courses plus training provided by approximately 120 Mobile Training Teams (MTT). At minimum, to sustain this level of successful training in fiscal year 1983, increases for inflation will be necessary. Current estimates for annual inflation in the area of training is around 9.2 percent.

In examining the Administration's fiscal year 1983 IMET request for \$57.7M, it should also be remembered that the original program proposal for fiscal year 1982 was fully justified in the Congressional Presentation Document (CPD) at a level of \$47.7M. This figure was initially supported by this Administration but later reduced to \$42M for budgetary reasons. Congressional action resulted in a \$42M authorization and only a \$38.5M appropriation. Obviously, all training needs originally identified could not be met in fiscal year 1982, but these needs have not gone away. In many cases, the Administration's fiscal year 1983 request is merely an attempt to meet previously justified requirements.

The Administration is proposing a \$6M increase above the original fiscal year 1982 IMET request. Of this amount, nearly one million dollars is for 10 new country programs. These programs will provide needed professional military education and training to its recipients while expanding USG contacts throughout the third world. A \$900 thousand increase over the original fiscal year 1982 proposal is requested for the Panama Canal Military School (PACAMS) which is uniquely effective in providing specialized training for many of our friends and allies in the Western Hemisphere. The remainder of the \$6M increase is allocated to provide modest increases for several important friends and allies who are facing especially critical training needs. Examples of countries that would receive IMET increases of \$200 thousand or more include: Portugal, Spain, Morocco, Tunisia, Sudan, Pakistan, Thailand, and El Salvador.

Question 2. Documents provided by the Defense Department show that defaults and debt reschedulings are likely to decrease the size of the FMS guarantee reserve fund from \$1.2 billion in 1980 to about \$860 million in 1983. Do you think the financial integrity of the guaranty reserve is at stake? Will the Administration seek additional appropriations for fiscal year 1984 to replenish the fund?

Answer. Page 38 of the fiscal year 1983 Congressional Presentation Document, in compliance with section 25(a)(3) of the Arms Export Control Act, provides projections on the reserve balance at the end of fiscal year 1982 and fiscal year 1983 and an assessment that the reserve is adequate to cover net expenditures through fiscal year 1983. Using experience from fiscal year 1981, the first year under the Guaranty Reserve Fund, we projected net expenditures at \$100 million each year. Using this projection, the reserve balance would not fall below the \$750 million floor before fiscal year 1985.

Under section 24(c) of the AECA, the President is required to report promptly to the Congress when the reserve balance falls below \$750 million, together with his recommendations for the authorization of appropriations of additional funds for the reserve.

At this point in time, we are unable to state that the financial integrity of the reserve is at stake or to state categorically that additional appropriations will or will not be sought in fiscal year 1984 to replenish the fund. We can say, however, that the reserve balance is being exposed to increasing levels of outstanding loans.

Question 3. Section 103 of the bill would provide for increased representational funds for MAAG groups. Why are increased representational funds needed?

Answer. The security assistance representation funding level is limited in the fiscal year 1982 appropriation bill to \$72,500, more than 40 percent below the level approved by the Congress in 1976. This limitation has had an adverse impact on SAO's ability to carry out his representational responsibilities and has resulted in these officers paying significant amounts from their personal funds for official functions. A 1980 survey indicated that on the average our SAO chiefs paid 30-40 percent of the cost of all official representational activities out of their own pockets. The problem becomes greater each year as the result of significantly higher inflation rates that are experienced in countries where SAOs are located.

All representational funds are now financed by the Military Assistance appropriations, despite the fact that nearly 60 percent of all functions performed by the SAOs relate to foreign military sales (FMS). Moreover, within CONUS, the FMS program managed by the Military Departments amounts to approximately \$15 billion in new sales each year. Yet, except for the \$2,500 available to Director, DSAA, funding of FMS-related functions given for foreign representatives must be paid by Military Departments' officials from their own funds.

Although FMS administrative funds collected from foreign purchasers are used to reimburse the Military Departments for costs of administering the FMS program, because of the lack of legal authority, FMS administrative funds can not be used for representation purposes.

Section 103 would remedy this situation by allowing FMS administrative funds to be used to fund representational expenses. Our proposal is to increase the level of representational funds by \$73,900. Of this increase, \$50,400 would be used to augment present OAS funding and the remaining \$23,500 would be used to provide representational funding to the Military Departments and to augment by \$1,500, the amount available to the Director, DSAA.

Question 4. Section 104 would provide for cost-free reciprocal military training programs. Could you provide examples of cases in which U.S. military personnel have significantly benefited by receiving military training in a developing country?

Answer. Developed countries such as the United States have no monopoly on military expertise, or, for the matter, on strategy, tactics, and operations. The Vietnam experience and recent experiences in other parts of the world—e.g., Operation Bright Star in Egypt and now in Central America—attest to this fact. Similar benefits could accrue for the United States from cost-free reciprocal one-for-one exchanges with the many diverse developing countries—as well as developed nations—around the world. In addition to enhancing the professional military expertise of our military personnel, the training will enrich their cultural experiences and expand their personal contacts among their foreign contemporaries.

Question 5. Section 105 of the bill provides expanded authority to sell weapons through commercial channels rather than government-to-government channels. What would be the volume of increased arms sales through commercial channels that you would expect to be effected by this provision?

Answer. This change would not result in a significant increase in commercial sales activity. Approval of the amendment would enable DOD to sell weapons components, which are manufactured only in government-owned government-operated (GOGO) plants, directly to U.S. contractors. The number of items available only from GOGO facilities are very small and involve mainly explosive devices for aircraft safety such as for seat ejection (CAD/PAD items), and cannons, mounts, and recoil mechanisms for howitzers. End-items incorporating these components are being sold commercially under current legislation, since foreign governments purchase the GFE including GOGO produced components directly from the USG, and provide the items to the prime contractor for incorporation in the commercially produced end-item. The number of these transactions each year has been minimal. The legislative change will result in convenience to the foreign government and U.S. prime contractors by facilitating the orderly processing of those sales which the USG, the foreign government, and U.S. industry agree should be handled on a direct commercial basis. U.S. industry would be required to obtain a Munitions License for these transactions in accordance with the International Traffic in Arms Regulation (ITAR).

Question 6. Several U.S. corporations have raised concerns about the use of FMS financing to purchase military equipment from countries other than the United States. What would be the administration's view of an amendment prohibiting this practice unless specifically authorized by the Congress?

Answer. The provisions of Section 42(c) of the Arms Export Control Act provide sufficient control on the use of FMS financing outside the United States. The section states:

"Funds made available under this act may be used for procurement outside the United States only if the President determines that such procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base, with special reference to any areas of labor surplus or to the net position of the United States in its balance of payment with the rest of the world, which outweigh the economic or other advantages to the United States of less costly procurement outside the United States."

As written, Section 42(c) assures that the use of FMS financing outside the United States will be limited to cases where there is a clear benefit to the USG without an adverse impact on the U.S. economy or the industrial mobilization base. The section provides sufficient flexibility to enable the USG to meet national security requirements for those exceptional cases which may arise. There is no evidence that authority in section 42(c) has been abused and a revision of these provisions at this time is unwarranted. Such a proposed provision would constitute a further dilution of the authority of the Executive Branch to react to changing worldwide conditions which affect national security and foreign policy objectives.

AID'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

Question 1. The request for Economic Support Fund increases for fiscal year 1983 is almost entirely for the Caribbean/Central American region, is that not correct? Should this not be seen as part of the Caribbean Basin Initiative? Would you not prefer that it be authorized in the CBI legislation?

Answer. The fiscal year 1983 Economic Support Fund request is for \$2,886 million, an increase of \$322 million over the fiscal year 1982 estimate (excluding the proposed CBI supplemental). Of this increase \$186 million, or 58 percent, is for the Caribbean Basin. While this increase, as indeed the entire \$326 million of ESF assistance requested for these countries in fiscal year 1983, may be seen as part of the CBI, we have not included it in the CBI legislation since it can be included in our regular fiscal year 1983 authorization bill. Except where a supplemental appropriation is necessary (as is the case this fiscal year for the CBI), we prefer to include all foreign assistance requests in a single authorization. However, we trust that the Congress will recognize the importance of the assistance requested for the Caribbean Basin countries as a key element in our implementation of the CBI.

Question 2. President Mubarak during his last visit to the United States asked for more flexibility in the U.S. ESF program for Egypt. There are complaints that this flexibility has not in fact been provided. Is special legislation needed in this area?

Answer. I do not believe those complaints have any factual base. The agreement with the Government signed during President Mubarak's visit addresses—inter alia—the principle of flexibility, which is being implemented in various sectors. In discussing the details of implementation with the Egyptian Government, there are occasional differences in perceptions of how flexibility applies in specific situations. The more flexible forms of assistance specifically sought by Egypt during President Mubarak's February visit were in the areas of sectoral assistance, incremental budgeting, higher levels of funding for the Commodity Import Program and greater use of Egyptian experts. No special legislation is required to permit implementation of assistance along these lines. In fact, since February the obligation plans for most applicable projects have been adjusted to the incremental budgeting approach. Similarly, some forms of sectoral assistance have already been started and additional sectoral programs are anticipated this year, for example, in the area of decentralization. Further use of sectoral assistance and higher levels of CIP will be related to decisions taken by the Government of Egypt on economic policy reforms which require this form of support.

Question 3. The fiscal year 1983 request shows a \$20 million reduction for economic aid to Nicaragua. If current talks with Nicaragua are successful, would additional aid be provided?

Answer. Yes, if the current talks are successful we would consider resuming economic aid to the Government of Nicaragua. A resumption, of course, will depend on the current negotiations and their outcome.

FISCAL YEAR 1983 BUDGET PRIORITIES

Question 4. The changes in fiscal year 1983 authorizations which you are requesting indicate less emphasis on development and food assistance and in-

increased reliance on security programs. Do you see this as representing a long term trend in Administration thinking, or a response to specific short term problems?

Answer. The composition of our budget request reflects our assessment of funding priorities for vital foreign policy objectives in the face of severe budgetary constraints. Our request for ESF, for example, takes account of the continuing requirements for support of the Middle East peace process, the needs of the Caribbean Basin for economic assistance to help the nations of that region achieve self-sustaining development, and our commitments to assist other strategically important countries maintain economic and political stability.

With respect to the Administration's support for development, it should be pointed out that despite considerable pressures on the Federal budget our request for Development Assistance has not declined in absolute terms but has remained roughly equal to the fiscal year 1982 level and to the fiscal year 1983 authorized amount. Furthermore, in considering the overall level of support for development, it would be more appropriate to include ESF along with Development Assistance rather than to consider it as a security program in contrast to Development Assistance. In fact, a significant portion of ESF is used for development purposes and much of the proposed increase for fiscal year 1983 will be so used.

As to future trends, every year's budget request is based on planned responses to a mix of short and long term needs. We are just now beginning the budget process for fiscal year 1984—which does not start for another year and one-half—and cannot predict at this point in time our requirements for specific programs or the likely mix of program levels for that period or for future years with any degree of certainty.

USE OF TRANSFER AUTHORITY

Question 5. As we provided a 2-year authorization last year, why couldn't you have made most of the changes you desire in the functional accounts by using the transfer authority contained in Section 610 of the Foreign Assistance Act? Under what circumstances would you use such authority?

Answer. In order to carry out the Administration's fiscal year 1983 priorities, we found it necessary to request several changes in the amounts provided for the functional accounts from those levels authorized in the enacted legislation. For example, our planned private sector activities will require increased funds in the Selected Development Activities account; our institution building efforts will necessitate increases in the Education account.

We determined that it was more appropriate to request the amounts we believe we will require for fiscal year 1983 than to rely on the transfer authority, which would be used only in unusual situations.

We do not view transfer authority as day-to-day management authority or as a means of circumventing Congressional directives. We would exercise such authority only in careful consultation with Congressional committees.

BUDGET REDUCTIONS IN FISCAL YEAR 1983—POPULATION AND HEALTH

Question 6. You are proposing to reduce expenditures on health by 14 percent and population by 5 percent. Is this an indication of declining interest in helping countries to provide for the basic human needs of their populations?

Answer. The slight reduction in population program levels from fiscal year 1982 to fiscal year 1983 does not indicate a reduced priority for voluntary family planning programs. In fact, the fiscal year 1983 request reflects the outcome of an Administration review of the funding of population planning programs in which the option of significantly reducing the program was explicitly considered and rejected.

The somewhat lower level for population programs in fiscal year 1983 compared to the authorization is principally due to reduced funding requirements in Asia. Much of the increased funding in fiscal year 1982 (11 percent above fiscal year 1981 levels), made available by the fiscal year 1982 appropriation, was allocated to Asia, permitting more than a 50 percent increase over the fiscal year 1981 population program in Asia. Partly as a result of this one-time increase and partly because of shifts in some country programs (e.g., Indonesia's requirements for population funds will drop dramatically in fiscal year 1983 when the government begins its own procurement of contraceptives), Asia's requirements for population funds drop by more than \$8 million from the fiscal year 1982 level.

In the health account, a number of factors have contributed to the somewhat lower funding requirements in fiscal year 1983:

Health projects have proven more difficult than others to initiate, partly as a result of the reluctance of recipient countries to commit themselves to the high future recurrent cost burdens characteristic of primary health care initiatives.

Primary health care projects, which now comprise the bulk of AID's health portfolio, tend to be less costly than either curative, hospital-based care or facilities construction programs.

The shift to primary health care over the last several years, with emphasis on training and the development of low-cost service delivery capacity, has both lengthened implementation time and cut the per capita cost of such projects.

AID is not moving away from an emphasis on basic human needs. Indeed, looking at country requirements for fiscal year 1983, we are requesting a 12-percent increase over the fiscal year 1982 authorization level for AID's education and human resources (section 105) program.

PRIVATE SECTOR ACTIVITIES IN EDUCATION AND SDA ACCOUNTS

Question 7. The fiscal year 1983 budget request shows an increase in funding for the Education and SDA accounts particularly for Private Sector Activities. Would you give us examples of the types of projects that you have in mind?

Answer. In fact, according to our current tally of private sector projects very little of the increase in the Education and Human Resources Account, has been attributed to private sector activities because of the difficulty of determining the private sector impact of manpower training. Nonetheless, we do plan several manpower training projects, for example in Lesotho, Malawi, Liberia, Ghana and Jamaica to increase the supply of skilled labor and managerial talent, which undoubtedly will benefit the private sector.

Under the SDA account, the largest portion of our private sector activities would go to Latin America and the Caribbean, particularly in conjunction with our new Caribbean Basin Initiative. For example, in the Eastern Caribbean we plan a new Inter-Island Shipping and Marketing project to help increase exports and trade among the island nations of that area. In Costa Rica, we plan to initiate a Cooperative Bank and Credit project designed to provide financial and management assistance to the newly established Cooperative Bank which furnishes member cooperatives with badly needed credit. In Jamaica and Peru we have projects to assist small business enterprises. The Central American Regional Program will provide continued loan support for a Private Sector Promotion Fund, to be begun in fiscal year 1982, which will provide resources to the Central American Bank for Economic Integration to help finance the requirements for essential imports, working capital and investment opportunities.

In Asia, beginning in fiscal year 1982 AID will fund under SDA a new Private Sector Preparations project in Indonesia to identify high priority investment projects, fund business support activities for U.S. firms such as assistance in locating local partners and in obtaining legal approvals and provide business administration training for new entrants into private sector firms. In Thailand, we plan to continue funding a project to be launched in fiscal year 1982 to promote U.S. private sector investment and technology transfer.

In addition to these regional and country projects, the new Private Enterprise Bureau will have a total of \$15.6 million under the SDA account to support a variety of private sector initiatives including support for the International Executive Service Corps and for investment packaging activities intended to select opportunities for institution building and development to promote private investment.

AID TO PVO'S

Question 8. In last year's bill we stipulated that AID should channel at least 12 percent of its program through PVOs, and aim for 16 percent. Yet I understand that your planned 1983 program would actually reduce the percentage going to the PVOs from 13.6 percent in 1982 to 12.7 percent in 1983. Why do you seem to be going in the opposite direction from clear Congressional intent?

Answer. AID shares the interest of Congress to increasingly involve PVOs in international development. In the last decade, AID support for PVO administered programs has increased four-fold from less than \$50 million in fiscal year 1973 (4 percent) to nearly \$200 million in fiscal year 1983 (13 percent).

In the past three fiscal years between 13 and 14 percent of AID's development assistance program (DA)¹ was channeled through programs administered by PVOs. In fiscal year 1983, we estimate that the PVO administered program will remain in this range (12.7 percent).

The apparent drop in support for PVO programs between fiscal year 1982 and 1983 is due, in part, to a change in the funding source for a large AID African Refugee project. In AID's initial program proposals for fiscal year 1983 AID had carried a \$10 million project to be implemented by PVOs for the resettlement of displaced persons in Africa. However, this activity has now dropped out of the fiscal year 1983 budget request. Instead, the activity, although administered by AID and implemented almost entirely by PVOs, will be funded from funds appropriated to the State Refugee and Migration account and not to AID's Development Assistance accounts. Thus, but for this change in funding source AID's support for PVOs would be essentially the same in fiscal year 1983 as in fiscal year 1982.

While AID has met the legislative requirement to channel at least 12 percent of the DA program through PVOs, we are concerned that meeting the 16 percent target by fiscal year 1983 would risk creating overdependence on U.S. Government funding on the part of the PVOs.

Equally important as increasing PVO administered development programs is maintaining their independence of action and private sector base. Overdependence on U.S. Government funding threatens to destroy these two valuable characteristics of PVOs. In fiscal year 1982, for example, the international programs of 20 PVOs were more than 80 percent funded by the U.S. Government.

In addition, Congress should be aware that, since PVOs do not accept loan funds, they will actually be administering over 17 percent of all grant funds in the DA account for fiscal year 1983. PVOs receive the largest portion of the DA grant funding provided to AID intermediary organizations. Universities and International Organizations receive the next largest portions, receiving approximately 10 percent each since fiscal year 1980. Tables 1, 2, and 3 summarize AID support for PVO programs.

TABLE 1.—PVO PROGRAM SUMMARY, EARMARKED ACCOUNTS

[Dollar amounts in millions]

Fiscal years	Functional							
	Total program	Grant	PVO	Percent		Sahel		
				Program	Grant	Total	PVO	Percent
1980 actual	\$1,163.4	\$726.6	\$158.6	13.6	21.8	\$76.5	\$7.7	10.1
1981 actual	1,213.3	826.3	166.3	13.7	20.1	95.6	8.6	9.0
1982 appropriation	1,295.2	906.3	180.1	13.9	19.9	93.8	5.6	6.0
1983 request	1,298.2	905.8	169.0	13.0	18.7	93.8	5.1	5.8
Total								
	Disaster ¹			Percent				
	Total	PVO	Percent	Total program	Grant	PVO	Program	
							Percent	Grant
1980 actual	\$25.0	\$4.1	16.4	\$1,264.9	\$828.1	\$170.4	13.5	20.6
1981 actual	11.4	.6	5.3	1,320.3	933.3	175.5	13.3	18.8
1982 appropriation	27.0	6.7	25.0	1,416.0	1,095.6	192.4	13.6	17.6
1983 request	25.0	5.5	22.0	1,417.0	1,032.6	180.0	12.7	17.4

¹ Worldwide disaster relief, excludes supplemental requests such as the Cambodian and Caribbean relief in fiscal year 1980, African refugees in fiscal years 1980 and 1981, and Italy relief and rehabilitation in fiscal year 1981. If these figures were included the percent of AID funds administered by PVO's would increase in those years.

¹ The development assistance accounts earmarked in the International Security and Development Cooperation Act of 1981 (P.L. 97-113) are the five functional accounts, the worldwide disaster assistance account, and the Sahel Development Program. The earmark does not include the American Schools and Hospitals Abroad program.

TABLE 2.—AID DEVELOPMENT ASSISTANCE (DA) GRANT FUNDING LEVELS PROVIDED TO PVO'S, UNIVERSITIES, AND INTERNATIONAL ORGANIZATIONS

(Fiscal years, dollar amounts in millions)

	1980 actual	1981 actual	1982 estimate	1983 estimate
PVO's:				
Earmarked accounts: Functional accounts, Sahel development fund and disaster assistance.....	\$170.4	\$175.5	¹ \$192.4	\$180.0
Other DA accounts:				
ASHA.....	7.5	6.6	6.6	6.6
Refugee assistance, sec. 495 F.....	14.2	(?)	(?)	(?)
Subtotal.....	192.1	182.1	199.0	186.6
Total DA earmarked.....	(1,264.9)	(1,320.3)	(1,416.0)	(1,417.0)
PVO percent DA earmarked.....	(13.5)	(13.3)	(13.6)	(12.7)
PVO percent DA grant.....	(20.6)	(18.8)	(17.6)	(17.4)
University grants and contracts.....	97.1	² 94.4	94.4	94.4
C.R.S.P.....	(7.6)	(9.0)	(9.1)	(13.0)
Percent DA grant.....	(11.7)	(10.1)	(8.6)	(9.1)
International organizations:				
CGIAR.....	29.6	35.3	42.2	48.0
UNFPA.....	32.0	35.0	33.8	33.8
IPPF.....	7.2	12.0	12.0	11.0
Diarrhea Research Center.....	1.9	1.9	1.9	1.9
WHO Tropical Disease Center.....	4.0	4.0	6.0	6.0
WHO Indonesia Malaria.....	.2	.3		
Subtotal.....	74.9	88.5	95.9	100.7
Percent DA grant.....	(9.0)	(9.5)	(8.8)	(9.8)
A.T.I.	3.7	4.2	6.0	6.0
Grand total.....	367.8	369.2	395.3	387.7
DA grant level.....	828.1	933.3	1,095.6	1,032.0
Percent DA grant.....	44.4	39.6	36.1	37.6

¹ Includes \$4,000,000 for Italian earthquake.² Does not include funding for refugee assistance for these years, account transferred to State Department.³ Estimate.

TABLE 3.—AID APPROPRIATED AND ADMINISTERED SUPPORT TO PVO'S—FISCAL YEAR 1983 CONGRESSIONAL PRESENTATION SUMMARY OF PVO ACTIVITIES BY APPROPRIATION

(By fiscal years, in thousands of dollars)

	1981 actual	1982 estimate	1983 request
AID appropriated:			
Agriculture, rural development, and nutrition.....	\$36,679	\$37,878	\$35,978
Population planning.....	55,848	63,404	59,820
Health.....	11,639	14,741	8,371
Education and human resources.....	29,727	29,860	28,864
Selected development activities.....	32,426	34,167	35,938
Subtotal, functional accounts.....	166,319	180,050	168,971
International disaster assistance.....	609	6,750	5,500
Sahel development program.....	8,556	5,647	5,423
Subtotal earmarked ¹ development assistance.....	175,484	192,447	179,894
Percent.....	(13.3)	(13.6)	(12.7)
American schools and hospitals abroad.....	6,600	6,300	3,000
Economic support fund.....	40,972	17,503	20,800
Subtotal, DA and ESF.....	223,056	216,550	203,694
AID administered:			
State refugee and migration.....	6,233	5,500	4,000
Excess property.....	4,740	4,740	4,740
Public Law 480, title II, commodities (USDA).....	319,700	280,200	243,503
Public Law 480, title II, ocean freight (USDA).....	143,100	168,600	150,900
Subtotal, AID administered.....	473,773	459,040	403,140
Total, AID appropriated and administered.....	696,829	675,590	606,834

¹ The International Security and Development Cooperation Act of 1981 (Public Law 97-113) specified that not less than 12 percent and a target of 16 percent of the funds appropriated to the 5 functional accounts, the worldwide disaster assistance account, and the Sahel development program should be made available for the activities of PVO's. The earmark does not include the American schools and hospitals abroad program, refugee assistance, the economic support fund or AID administered support for PVO programs.

OPERATING EXPENSES

Question 9. You have asked for an increase of \$45 million in operating expenses, a jump of 13.5 percent, even though your own program is not increasing. Why?

Answer. The 1983 increase of \$45 million over the 1982 budget in operating expenses is principally due to the estimated effects of inflation. Two-thirds of the increase is overseas, consisting of \$8 million in salaries, \$4 million in travel and transportation and \$10 million in contract services. \$5.5 million for two other major items in 1983 vs. the 1982 budget are \$2.5 million as the Agency's contribution to the overseas schools and \$3 million for overseas property acquisition to avoid the rapidly accelerating rentals overseas. In Washington the effect of the 4.8-percent Federal salary increase in 1981 has been offset by decreases in Federal permanent employment. Increases of \$3.9 million for rents, communications and utilities are largely the result of GSA recomputation of Washington, D.C., rental rates. An increase in contract services of \$6.3 million is primarily a combination of \$2 million in evaluation activities transferred from the program budget and \$3.2 million in increased data processing automation. Changes in program funding levels, especially over the short term, will not appreciably impact on operating expense or workforce requirements. Long-term workforce requirements are ultimately effected by current program levels; however, for the short-term, the number of on-going projects and the size of their respective pipelines are the primary factors which dictate workforce and operating expense needs.

Question 10. How much extra administrative burden is caused by increase in ESF programs?

Answer. While increases in the ESF level in the Caribbean Basin and Pakistan have not been fully analyzed as to their operating expense effect, initial indications are that they will require the effort of 32 people. Using a rough estimate of \$60,000 in salary and related costs, the increased employment will require \$2.0 million in additional or diverted funds.

Question 11. What will happen if you don't get an increase?

Answer. If the requested increases are not provided it would seriously impair our program activities. The hiring freeze which has been in effect since January 21, 1981, would be continued to accelerate our already programmed decline in permanent employment through 1986. Depending on the time of the final decision on operating expenses, we would contemplate reductions-in-force and furloughs. In the short run no savings in rent, utilities and communications can be made. Total spending for supplies and printing are projected at only \$11.5 million so that minimal reductions could be made. Contractual services overseas totaling \$48.1 million would be reduced somewhat but most such services overseas are required to maintain our presence, including payments to the State Department of \$23.0 million for various support activities. We would sharply reduce AID/W travel but since the proposed 1983 amount is only \$4.7 million no significant savings could be made. We would cancel our data processing augmentation of \$3.2 million, reduce our employee training and postpone normal equipment replacement, including the cost effective purchase of overseas property.

AID ASSISTANCE TO DEVELOPING COUNTRIES IN DEALING WITH ENERGY PROBLEMS

Question 12. For several years we have encouraged AID to increase its efforts to assist developing countries to deal intelligently with their energy problems. My impression is that progress has been slow. What are you doing in this area and what are the problems in doing more?

Answer. I think AID's record in the energy field has been impressive, and I intend that AID will continue to increase its attention to energy activities in the years ahead. From a development assistance level of \$23 million in fiscal year 1978, AID's energy activities expanded to almost \$56 million in fiscal year 1981, and to over \$70 million each year projected for fiscal year 1982 and fiscal year 1983. The proportionate shares by principal categories of activities are wood fuels 43 percent, other renewable energy resources 39 percent, and conventional energy 18 percent.

AID's energy programs concentrate on technical assistance in selected areas. These are:

- Analysis of needs, uses, resources, and policies;
- Training and institutional development;
- Field testing and demonstration of new technologies;
- Increasing energy supplies, both conventional and renewable, with significant attention to wood fuel.

These programs address the dual dimension of the energy problem facing developing countries (i) the high cost of imported fossil fuels caused by oil price increases, and (ii) shortages of traditional household fuels such as firewood, charcoal, and dung, that are used by the world's poor.

AID's energy policy reflects the Reagan Administration's emphasis on the importance of the private sector and of pricing as an allocation mechanism for availability and types of supply. Sound government policies, especially realistic pricing policies, are indispensable to the creation of a climate favorable to foreign and private domestic investment, increased production, and improved efficiency.

AID's programs stress coordination with other U.S. agencies, bilateral and multilateral donors, and the private sector, that furthers the effectiveness of AID's contribution.

AID is increasingly viewing energy issues broadly and not only as a sector; energy considerations are critical to the success of AID goals in food production and job creation.

The major constraints to doing more are the overall AID program levels and personnel limitations and the absence of any ready-made energy solutions, especially in the difficult area of expanding wood fuel production. Moreover, doing more does not always require more money; heightened awareness and efficient use of energy resources now available and the carefully structured programs we are designing to improve policies and provide technical assistance have significant payoff. I am submitting a table showing recent energy program levels.

AID ENERGY ACTIVITIES

	1978	1979	1980	1981	1982	1983
Excluding power generation and distribution:						
Development assistance.....	23.0	23.5	33.5	48.9	72.2	74.8
Economic support fund.....	.1	.3	17.1	3.0	29.2	11.9
Total.....	23.1	33.8	50.6	51.9	101.4	86.7
Power generation and distribution:						
Development assistance.....	108.7	86.9	19.9	24.4	4.8	15.1
Economic support fund.....	64.0	100.0	12.5	90.0	9.9	4.5
Total.....	172.7	186.9	32.4	114.4	14.7	19.6

[Whereupon, at 11:55 a.m., the committee adjourned, to reconvene at 9:30 a.m., Thursday, April 15, 1982.]

FISCAL YEAR 1983 AID LEVELS TO THE MIDDLE EAST

THURSDAY, APRIL 15, 1982

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 9:55 a.m., in room 4221, Dirksen Senate Office Building, Hon. Rudy Boschwitz presiding.

Present: Senators Boschwitz and Sarbanes.

Senator BOSCHWITZ. This morning the Senate Foreign Relations Committee will begin the first of its regional hearings on the administration's foreign assistance proposals for 1983.

Congress last year approved a 2-year foreign aid bill, for fiscal years 1982 and 1983 based primarily on the 1982 proposals, and now the administration is proposing 1983 levels which include substantial increases affecting the Middle East and South Asia. Those increases seem to have been made without reference to the 1982 2-year foreign aid bill that we passed after considerable strain and stress. As in past years, the Middle East and South Asia would receive about three-fifths of the overall U.S. assistance.

For the Middle East and South Asia, the administration is proposing an overall increase of \$1.2 billion. About three-fourths of this increase, \$863 million, is in the form of foreign military sales [FMS] loans, and a proposed increase in FMS grants and the so-called direct credits is approximately \$280 million.

The ESF funds increase would be a relatively small increase of \$39 million. The largest proposed country increases are \$400 million in FMS—half loans, half grants—for Egypt and \$300 million in FMS loans for Israel—all loans and no grants.

Having already approved a fiscal year 1983 authorization, the committee naturally is most interested in the reasons for the proposed changes. The increased FMS levels for the Middle East cannot be accurately viewed without taking into consideration the context in which they are made.

Unfortunately, an arms race is going on in the Middle East. American weapons sold through the FMS are only part of the picture. Soviet arms have been bolstering the already large Syrian and Libyan arsenals. Saudi Arabia and other oil-rich countries have been buying huge amounts of U.S. and European arms for cash, both for themselves and their friends.

We find the unusual situation of these few thinly populated countries in the Middle East, having more modern arms even than NATO countries in Europe do to protect themselves in their circumstances. This adds to the military and economic strains in the region. There is

reason to be concerned about the economic strains and the growing debt repayment problems affecting some of our friends receiving FMS loans.

I believe those subjects came up in an earlier hearing before this committee yesterday. It is a difficult problem, one for which there are no easy answers as long as there are threats from Libya, rivalries and frictions between the nations of the region, and sophisticated weapons are often sought for reasons of prestige and are often sold willingly on the theory that they enhance friendships.

Unfortunately, it almost appears as if arms sales are the only tool of diplomacy in the Middle East in recent years. The only thing that is done to express friendship is the sale of arms.

Our administration witnesses today are particularly well-qualified to discuss the security assistance bill and issues. Our first witness is the Honorable Nicholas A. Veliotis, Assistant Secretary of State for Near East and South Asian Affairs. He has just returned this week from a trip to Israel to discuss the Sinai withdrawal and has spent considerable time in the area as an Ambassador and as a Foreign Service officer.

The Defense Department witness is the Honorable Francis J. West, Jr., Assistant Secretary of Defense for International Security Affairs who accompanied Secretary Weinberger on his trip to Jordan and other Middle East countries.

We will also hear from the Honorable Joseph C. Wheeler, Deputy Administrator of the Agency for International Development who has long been involved in the Middle East AID program and previously was its director. He is held in very high regard.

After hearing from administration witnesses we will take testimony from three organizations. Thomas A. Dine will testify for the American Israel Public Affairs Committee, David Sadd for the National Association of Arab Americans, and Robert Basil for the American Lebanese League.

Mr. Veliotis, will you please proceed?

STATEMENT OF HON. NICHOLAS A. VELIOTES, ASSISTANT SECRETARY OF STATE FOR NEAR EAST AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE

Ambassador VELIOTES. Thank you, Mr. Chairman. I welcome the opportunity to appear before the committee again in support of our fiscal year 1983 budget request for the Middle East, North Africa, and South Asia along with my colleagues, AID Deputy Administrator Wheeler and Assistant Secretary of Defense West.

Mr. Chairman, I have submitted a rather complete statement for the record and with your permission I would like to just summarize the highlights before we proceed.

Senator BOSCHWITZ. Nick, your testimony certainly is central to this issue. I am sorry that we started a little late, but your testimony is not that long. Do not hesitate to take whatever time you feel is necessary.

Ambassador VELIOTES. Thank you, sir.

Senator BOSCHWITZ. I am particularly interested in your country-by-country analysis.

Ambassador VELIOTES. Would you prefer, sir, that I go through the longer statement?

Senator BOSCHWITZ. I only have one.

Ambassador VELIOTES. That is the one. I was going to summarize it, sir.

Senator BOSCHWITZ. Why don't you go through the entire statement? That would be fine.

Ambassador VELIOTES. Certainly.

Mr. Chairman, Secretary Haig and Under Secretary Buckley, in recent testimony before congressional committees, have presented the overall policy guiding our foreign assistance program for the region. They emphasized that furthering the Middle East peace process remains among the highest of the administration's priorities. Thus, our program is directed at supporting our efforts to bring lasting peace and security to the Middle East.

Our program also seeks to advance the welfare of the populations and the economic health of their countries to promote economic and political stability. Thus, our assistance to Israel and Egypt, along with our aid to Jordan, Lebanon, and the regional programs, provides a security and economic base essential to ultimate stability and peace within the region.

The Southwest Asian and Persian Gulf region, a critical source of energy to the free world, is simultaneously threatened by the Soviets through Afghanistan and radical forces from within the area. Therefore, our program is directed at supporting our efforts to bolster the security of countries both in the region and en route which are crucial for U.S. access to and presence in the region in times of crisis.

Almost all of the countries, from Pakistan in the east to Oman and Yemen, and to Tunisia and Morocco in the west, face serious economic problems and potential subversion or regional threats from Soviet proxies. All are important, not only to our strategy for the security of Southwest Asia but, potentially, to the prospects for peace in the Middle East as well.

In South Asia, there is a clear humanitarian need for assistance to countries which have low levels of per capita income, high population growth rates, and low levels of literacy. Bangladesh, India, Nepal, and Sri Lanka all have made commendable progress in economic development, an investment in the future which we should protect with continuing assistance.

Viable economies and stable political institutions are essential if South Asia is to continue to develop as a system of independent states capable of playing a constructive role in world affairs and in regard to the major areas of conflict on each flank. India, which is a significant trading partner, and other countries in this region, are clearly important to broader U.S. strategic interests.

Secretary Haig has addressed the need for resources commensurate with the risks to American national interests abroad. There is no doubt that persistent pursuit of policy designed to strengthen the economies and defense capability of key countries in the Near East and South Asia is crucial: To preserving a global strategic balance which will permit free nations to pursue their aspirations; to checking the spread of Soviet influence in this strategic region; to fulfilling our responsibility to assist in the resolution of conflicts which threaten

international security and the well-being of the nations and peoples in the region; to preserving free world access to the region's oil; to supporting other major economic interests such as maintaining access to important markets for American goods and services, assisting the orderly economic development of the less wealthy countries in the region, and cooperating with wealthier states to maintain a sound international financial order.

I cannot stress too strongly the importance of Southwest Asian security and the relationship of this concern to Middle East peace. We share with friendly states their concern about threats to security throughout this region posed by factors such as the Soviet invasion of Afghanistan, the uncertainty surrounding Iran, the Iran-Iraq war, the Soviet position in the Horn of Africa and in South Yemen, Libyan support for terrorism and pressures against neighboring states and efforts to magnify such threats through the Libyan alliance with Ethiopia and South Yemen. It is crucial for us to remain steadfast in policies with regard to the major concerns in the region.

In the Middle East we are actively pursuing a comprehensive, just, and lasting peace based on the Camp David agreements which derive from United Nations Security Council Resolutions 242 and 338.

In this context we are pursuing vigorously the negotiations on the establishment of an autonomy regime for the West Bank and Gaza as a crucial stage in the peace process. The essential element is to provide for the Palestinian participation necessary for the establishment of a transitional regime on the West Bank and Gaza under principles which are consistent with the Camp David accords.

The multinational force and observers will assume responsibility this month for monitoring the security provisions of the peace treaty between Egypt and Israel. Egypt and Israel have emphasized their mutual commitments to the continued strengthening of the peace that now exists between them.

We are also committed to the territorial integrity of an independent and sovereign Lebanon. We are providing sustained support for the government and people in Lebanon in working their way—with help from other Arab States—toward national reconciliation and greater security as important to peace in the region.

We believe that the cease-fire agreement Ambassador Habib worked out last July can and will continue to hold. This is important for the internal conciliation process in Lebanon, which offers the best prospect for a phased, orderly withdrawal of Syrian forces. We strongly support the constitutional process which calls for the election of a new president later this year.

We continue to emphasize our support publicly and privately for a peaceful, early resolution of the devastating war between Iraq and Iran on a basis which preserves the independence and territorial integrity of both countries. Continuation of this war endangers the peace and security of all nations in the gulf region and, in our view, serves neither the interests of Iraq or Iran, nor does it serve any U.S. interest or those of our allies.

The return of peace to the suffering people of Afghanistan must be achieved in the context of the withdrawal of Soviet military forces, the restoration of Afghanistan's independence and nonaligned status, the right of the Afghan people to form a government of their own

choosing, and creation of conditions which will permit the 3 million Afghan refugees to return to their homes with honor.

In our efforts to advance the Middle East peace process and to promote the resolution of conflict elsewhere in the region, we recognize that the necessary spirit of accommodation can grow more easily if friendly states feel secure and confident of U.S. support.

Important steps have been taken to bolster the confidence of key countries in our commitment to their security. In a time of budget stringencies, we have, with considerable sacrifice, increased the national resources for our own military, to develop their capability to deter threats to the region.

At the same time, our proposed overall security and economic assistance to the region has been significantly increased so that strategic but needy states can better provide for their own defense, resist external pressures, improve their economies, and thus enhance the prospects for orderly progress.

I shall briefly list for you the highlights of our assistance programs for the countries in the Near East and South Asian region. The acronym for this is NEA. The NEA fiscal year 1983 foreign assistance request will fund six major programs. These include:

Development assistance totaling \$287.243 million for the region to seven countries, of which over \$200 million goes to the three poorer countries of South Asia—India, Bangladesh, and Sri Lanka;

Public Law 480 food aid totaling \$618.513 million—\$420 million is title I; almost \$200 million is for title II—is provided to eight countries;

Economic support funds of \$1,768 million, mostly to Israel and Egypt, our primary partners in peace;

Foreign military sales financing totaling \$3,660 million, approximately \$1 billion of it in direct concessional loans, \$500 million and \$400 million as foreign loans for Israel and Egypt, respectively;

International military education and training totaling \$11.1 million; and peacekeeping operations for the Sinai Peacekeeping Force totaling \$34.48 million.

These programs total \$6,380 million for fiscal year 1983, which the administration believes is the minimal required for the United States to protect its interests and achieve its policy goals in this vital region.

Now I would like to expand on these broad figures with a few specific comments for each of our fiscal year 1983 proposals.

Regarding Israel, it is axiomatic that Israel's security and well-being are central to our Middle East policy. The \$1.7 billion in foreign military sales that we are proposing will assist Israel in maintaining its technological edge in overall military capability in the region. We are also requesting \$785 million in economic support funds to sustain Israel's economy and foster the welfare of its people.

Regarding Egypt, for much of what we must accomplish in the Middle East, Egypt is key both in terms of regional peace and regional security. Our \$1.3 billion FMS program contributes to Egypt's ability to defend itself and to help its neighbors in the face of the various threats I have mentioned. It finances a significant replacement of Egypt's Soviet-supplied, deteriorating military material.

The economic support fund request for Egypt totals \$750 million, which is designed to provide direct support for economic stability in

the near term while building the base for improved economic growth, productivity, and equity upon which long-term stability must depend.

The requested Public Law 480 program consists of \$250 million in Public Law 480, title I, and \$9.9 million in title II, in support of private voluntary agencies.

Regarding Pakistan, Pakistan is a key frontline state which remains steadfast in resisting great pressures from the Soviets in Afghanistan; \$275 million in FMS loans and \$200 million in development assistance and ESF proposed for fiscal year 1983 are the first increment of the planned total \$3.5 billion 5-year foreign assistance package. The proposed FMS level will help fund F-16 aircraft, armored vehicles, artillery, and associated equipment ordered in fiscal year 1982, as well as follow-on orders for additional quantities of similar equipment later.

Our military assistance to Pakistan is in no way directed against India. Good and mutually beneficial relations with India remain one of our high-priority goals. The development assistance and ESF for Pakistan will be concentrated in the agricultural sector with activities also in the fields of population, health, energy, and private-sector development.

We are working closely with Pakistani authorities to assure a substantial impact in support of the Pakistan Government's efforts to reduce and ultimately eliminate green poppy production. We are requesting \$50 million for Public Law 480, title I.

Regarding Morocco, the proposal of \$100 million in FMS credit to Morocco would permit support of major U.S. combat systems which Morocco has already acquired, together with an ongoing modernization program. We are recommending concessional terms for 50 percent of this FMS to alleviate a heavy debt burden related to economic difficulties largely beyond Morocco's ability to control—that is, drought and world inflation.

Development assistance of \$13.5 million will fund programs in agriculture, family planning, nutrition, and energy resource development. The requested level of Public Law 480 is \$25 million for title I and \$10.5 million for title II.

Regarding Tunisia, under direct threat from Libya, Tunisia requires a military modernization program with heavy initial costs. Our FMS credits of \$140 million are intended to cushion the shock of such large expenditures. For this reason we are further requesting half of this amount be in concessional terms. The fiscal year 1983 levels would help fund the acquisition of F-5 aircraft, M60 tanks, and Chaparral missiles, which the Tunisians intend to order in fiscal year 1982. We are requesting \$10 million for Public Law 480, title I and \$1.8 million for title II.

Regarding Jordan, our FMS proposal for Jordan reflects an increase of \$25 million for a total of \$75 million in fiscal year 1983. Through our continued support, we seek to enhance Jordan's security and ability to remain a viable, independent, and constructive force in the region. A stable, moderate Jordan directly supports both our objectives in the area of building peace and enhancing regional security by Jordan's assisting other regional countries to resist outside aggression and regional subversion.

We are also requesting \$20 million in ESF to assist the development of critical water supply and sewage systems—symbols of the commit-

ment of our Government to help people help themselves—and development training. There is also a \$256,000 Public Law 480, title II program.

Regarding Yemen, North Yemen is presently being challenged militarily by a Marxist-led insurgent group backed by Soviet-sponsored South Yemen. The North Yemen military requires essential follow-on training and operational assistance if it is to continue to utilize effectively U.S. equipment funded by Saudi Arabia. Increased economic and military assistance is critical to our support of the central government in the face of persistent outside threats.

We are asking for an increase of \$4 million in FMS over the fiscal year 1982 level to a total of \$15 million and a modest increase in IMET military training over fiscal year 1982. Development assistance of \$27.5 million is requested to meet basic human needs in one of the poorest nations of the region.

Regarding Oman, we have requested \$40 million in FMS to be applied in part against continuing payment for U.S. equipment acquired over the past 2 years. The remaining funds will be used to purchase equipment needed for Oman's force modernization effort. Oman plays a very important role in the defense of the Persian Gulf-Indian Ocean region, a role which we support and wish to encourage.

We are also requesting \$15 million in ESF which will support dam construction, fisheries projects, training, and other project identified by the United States-Oman Joint Commission.

Regarding Lebanon, small increases in our proposed FMS loan program for Lebanon of \$15 million, up \$5 million from the fiscal year 1982 level, reflect our continued desire to strengthen the authority of the Lebanese Government and to help the Government's efforts to develop the capability to reduce and eventually eliminate civil conflict.

An ESF program of \$8 million will help toward restoration of essential public services and a return to normalcy of life in that very troubled country. It will include support for humanitarian purposes and will assist the programs of the Council of Redevelopment and Construction. This visible demonstration of U.S. commitment to the unity, sovereignty, and territorial integrity of Lebanon plays a vital role in reducing the potential for conflict in the area.

Regarding Near East regional, we are requesting \$15 million in economic support funds and \$4.4 million in development assistance to serve objectives that cannot be met through conventional bilateral programs. The economic support fund finances collaborative research projects between Israel and Egypt and small-scale development projects in the West Bank and Gaza Strip which are implemented by U.S. voluntary agencies.

Regional development assistance provides for continuation of a scholarship program at the American University of Beirut and the development of Near East assistance projects.

Regarding South Asia, in addition to our Pakistan program we are proposing for the countries of South Asia development assistance of \$87 million for India, \$40.3 million for Sri Lanka, and \$13.5 million for Nepal. In general, these programs seek to increase food production and rural employment as well as health and family planning programs.

As for Public Law 480, we are requesting \$111 million in title II for India, \$60 million in title I, and \$20.5 million in title II for Bangladesh, and \$25 million in title I and \$5.8 million in title II for Sri Lanka.

To conclude, Mr. Chairman, through our foreign assistance program to the countries of this strategic region we seek to promote the peaceful solution of conflicts, strengthen their security, assist them in providing a better life for their people, and, in the process, protect and promote vital American national interests throughout the area. We remain committed to these objectives as critically important to U.S. national interests and the administration is convinced that the budget figures which we are proposing for fiscal year 1983 are the minimum required for achieving these policy goals.

Thank you.

Senator BOSCHWITZ. Thank you very much, Mr. Ambassador.

Mr. West, would you proceed, please?

[Mr. West's biographical sketch follows:]

BIOGRAPHICAL SKETCH OF FRANCIS J. (BING) WEST, JR.

Francis J. (Bing) West, Jr., was sworn in as the Assistant Secretary of Defense for International Security Affairs on July 9, 1981.

Mr. West was born in Boston, Massachusetts, on May 2, 1940. He earned his B.A. in History from Georgetown University in 1961 and his M.A. in Public Affairs from Princeton University in 1967. Following graduation from Georgetown University, he joined the U.S. Marine Corps and served as an Infantry Officer, including duty in Vietnam, from 1962-1966.

After his tour with the Marine Corps, Mr. West was a Staff Analyst and then Project Director with The Rand Corporation, specializing in field research and reports on infantry and guerrilla warfare in Southeast Asia.

From 1971-1972, he was Director of Program Planning in the Office of the Assistant Secretary of Defense for Systems Analysis. In 1973, he joined the staff of the Naval War College in Newport, Rhode Island, as Professor of Management.

Mr. West returned to the Department of Defense and served as Assistant to the Secretary and Deputy Secretary of Defense in 1974-1975.

From 1976 until assuming his present position, Mr. West was Dean of Advanced Research and Director, Strategic Research Center for Advanced Research at the Naval War College. Non-Department of Defense activities during this period have included the position of Visiting Professor of International Politics at the Fletcher School, Tufts University, and regular lecture appearances at the Georgetown Center for Strategic and International Studies, Washington, D.C.

His publications include numerous articles dealing with military and foreign policy published in the United States Naval Institute Proceedings, Marine Corps Gazette, Naval War College Review, etc.; "The Village" (New York: Harper & Row, 1971); "Small Unit Action—Vietnam" (New York: Arno Press, 1967); "Sea Plan 2000—Naval Force Planning Study" (Washington: Department of the Navy, 1978).

Mr. West is married to the former Katharine Nugent and they have four children.

STATEMENT OF HON. FRANCIS J. WEST, JR., ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS, DEPARTMENT OF DEFENSE

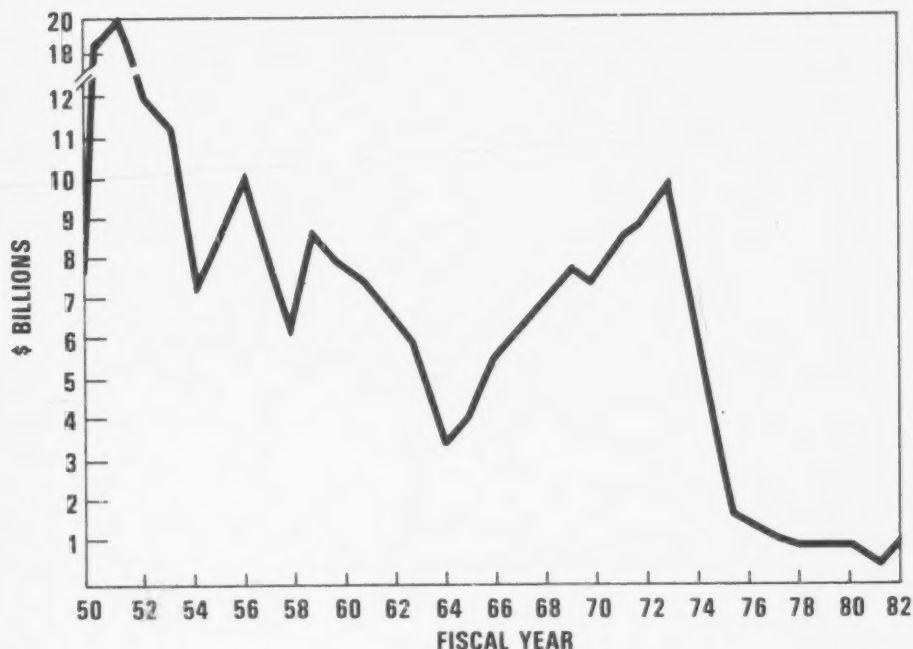
Mr. WEST. Mr. Chairman, I am pleased to appear before your subcommittee today. I would like to begin by discussing generally the role of security assistance, which, of course, is under the leadership and policy guidance of the Secretary of State. But the Defense Department does strongly support the State Department's fiscal year 1983 security assistance request; \$5.6 billion is requested for foreign military sales, of which \$950 million is to be grant, or forgiven loans, and another \$790 million are loans at concessional terms, and \$3.9 billion are to be loans at prevailing interest rates, which as of today was 14.6 percent interest.

Egypt, Turkey, Israel, and Spain comprise about 70 percent of the total FMS request. And 40 other countries share the 30 percent. As chart 1 shows, in constant dollars we are allocating less in military grant assistance than at practically any time since the end of World War II.

[Chart 1 follows:]

CHART 1

GRANT PROGRAM
(CONSTANT FY 82 \$: BILLIONS)



As chart 1A shows, our proposed fiscal year 1983 request can be divided into three sections. Those forgiven loans at \$950 million, both forgiven loans and direct loans at 3 percent accounting for \$1.7 billion, and guaranteed loans at approximately 14.5 percent at \$3.9 billion.

[Chart 1A follows:]

CHART 1A

**FY 83 FMS CREDIT PROGRAM
(\$ MILLIONS)**

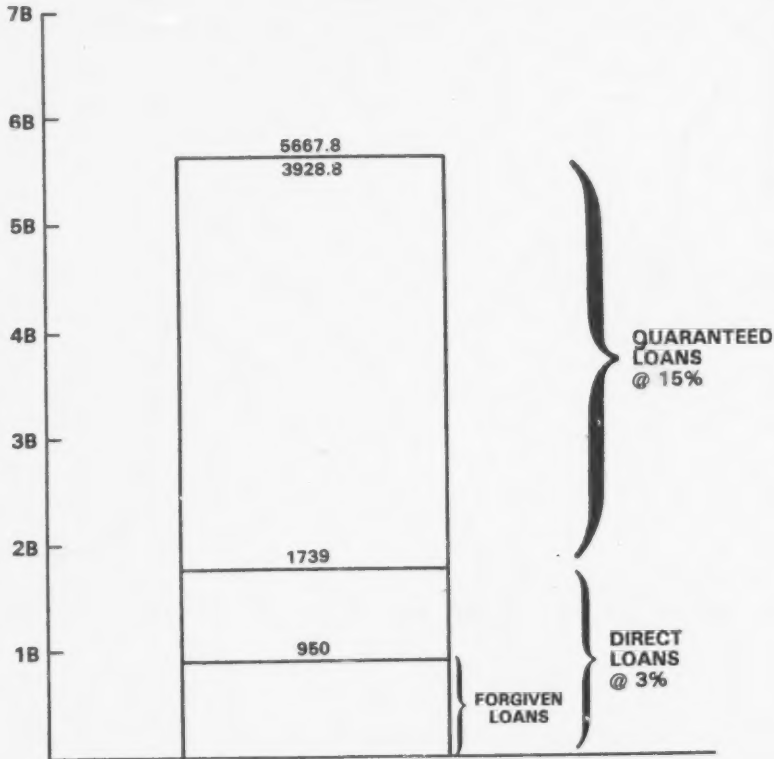


Chart 1B lists the major recipients of the requested funds. You will notice the seven major countries which comprise 82 percent of the entire request.

[Chart 1B follows:]

CHART 1B

**FY 83 FMSCR PROGRAM:
MAJOR RECIPIENTS
(\$ MILLIONS)**

COUNTRY	AMOUNT	%	
ISRAEL	1700	30	} 82% FOR SEVEN COUNTRIES
EGYPT	1300	23	
TURKEY	465	8	
SPAIN	400	7	
GREECE	280	5	
PAKISTAN	275	5	
KOREA	210	4	
37 OTHER COUNTRIES	1037.8	18	
TOTAL	5667.8	100	

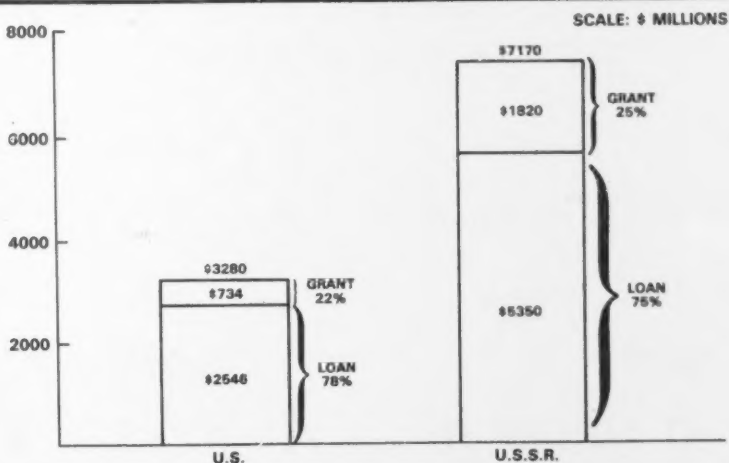
It can be pointed out, and it is fair I think to point out, that basically, Mr. Chairman, as a nation we have grown much richer while our friends in many lesser developed countries are growing poorer.

And the Soviet Union is providing to their allies in the lesser developed countries at least twice the level of our military grant assistance. And this is shown on chart 2. While our grant assistance is approximately \$3.2 billion, the Soviet grant assistance is approximately \$7.1 billion in fiscal year 1981.

[Chart 2 follows:]

CHART 2

**U.S. AND SOVIET MILITARY ASSISTANCE
(FY 1981)**



Senator BOSCHWITZ. Do you break that down by country in one of these charts, Mr. West?

Mr. WEST. I do not, Senator, but I can quickly supply that for the record.

Senator BOSCHWITZ. You can quickly supply it at this moment?

Mr. WEST. I could probably have it here by close of business, Senator, at the close of business today.

Senator BOSCHWITZ. Would you supply it for the record and see that Senator Sarbanes and I get it directly? That would be helpful.

Mr. WEST. Certainly, Senator.

[The information referred to is classified and is retained in committee files.]

Senator SARBANES. How was the dollar figure arrived at for the amount of this Soviet military assistance?

Mr. WEST. Senator, the same technique is used for calculating these dollars as is used in the overall calculation for comparing the Department of Defense and Soviet spending. I can also provide by the close of business today the detailed explanation of the breakout as to how we price the Soviet equipment.

Senator SARBANES. Would you outline it briefly now? It would be helpful to have the details. How do you arrive at the dollar figure?

Mr. WEST. Senator, there are two different techniques used. One technique is to calculate what it would cost the United States to produce the units of equipment that the Soviets are procuring, in U.S. dollars. A check on that also is to determine from various sources what some of these are actually costing the countries by using intelligence collection methods.

Senator SARBANES. I assume you will give us the details.

Mr. WEST. Yes, sir.

[The information referred to is classified and in committee files.]

Mr. WEST. Senators, chart 2A shows the disparity in terms of the outputs of military equipment from calendar year 1978 through mid-1981. You can see that the ratio difference is approximately anywhere from 2-1 to approximately 2-5 or 5-6.

[Chart 2A follows:]

CHART 2A

U.S. AND SOVIET ARMS DELIVERIES TO THE THIRD WORLD CY 1978 to MID-1981

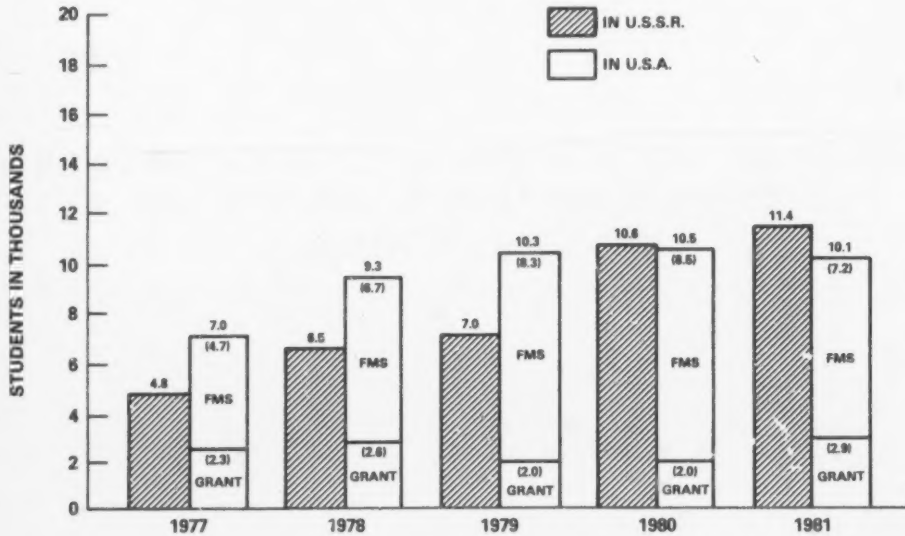
	<u>U.S.S.R.</u>	<u>U.S.</u>
TANKS AND SP GUNS	5,031	2,388
APC'S AND ARV'S	6,098	5,705
ARTILLERY	5,594	2,733
COMBAT AIRCRAFT	1,792	616
HELICOPTERS	706	145
SURFACE-TO-AIR MISSILES	5,385	3,623

The same trends are beginning to show up in terms of training, which is illustrated on chart 2B, which indicates the amount and number of students, foreign military students, receiving training in the United States and training in the Soviet Union.

[Chart 2B follows:]

CHART 2B

FOREIGN MILITARY TRAINING



We have also chosen, as chart 2C shows, to drastically reduce the number of our security assistance personnel overseas. We are now approximately at a level of about 800 to 802, up slightly from the 750 figure shown on the chart. Whereas the next chart shows the number of Soviet and East European-bloc technicians. These are not their combat soldiers deployed, Senators; these are the technicians deployed to maintain their equipment overseas in third countries.

And we also added in the figures for France, the FRG, Italy, and the United Kingdom. And you can see that there is quite a disparity. We did not add in Cuba. If we did add in the Cuban technicians, then the figure would rise that much more dramatically.

[Charts 2C and 2D follows:]

CHART 2C

TREND OF AUTHORIZED U.S. PERSONNEL IN OVERSEAS SECURITY ASSISTANCE ORGANIZATIONS

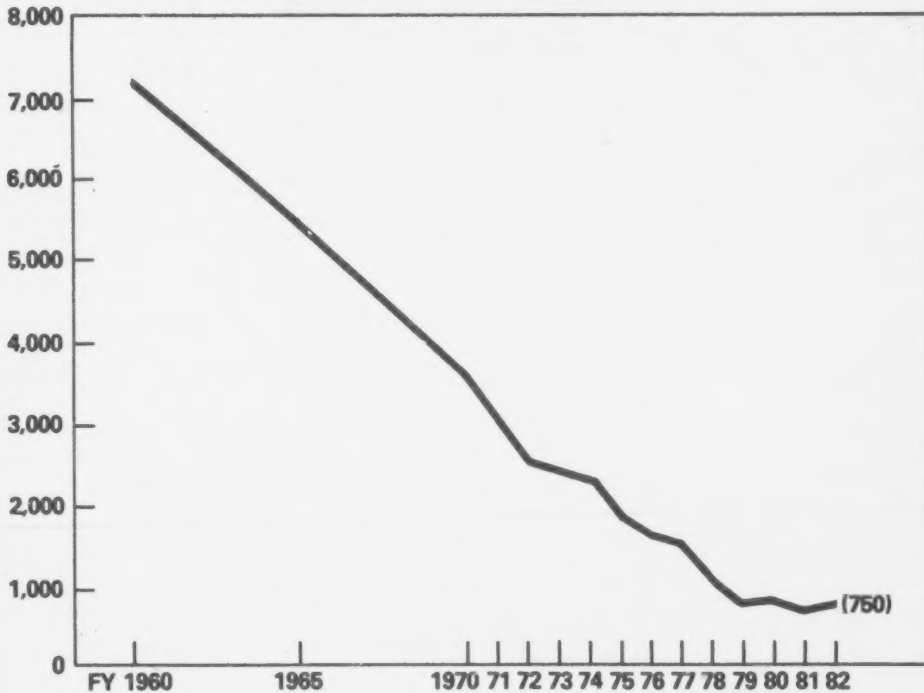
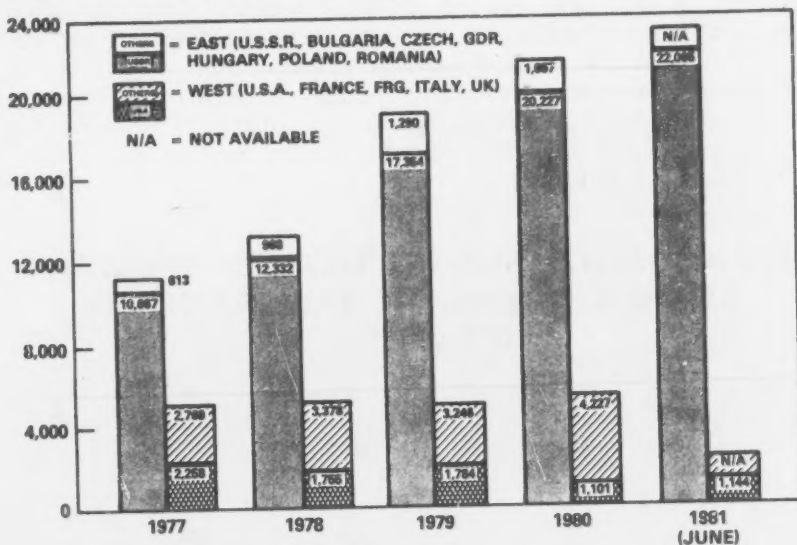


CHART 2D

MILITARY TECHNICIANS ON EXTENDED TOURS ABROAD



Senator SARBANES. How about civilian technicians doing military work?

Mr. WEST. That is a good question, Senator, and we are working on that now to find out, for instance, how many technicians Lockheed has abroad and things of that sort on our side. Or did you mean on both sides?

Senator SARBANES. You would do it on both sides. I assume that they do not have civilian technicians and that we do. Or do they?

Mr. WEST. Oh, yes, sir, they have a substantial number of civilian technicians. That is a little more difficult to get. But we are working on that now. We will update this chart to include civilian technicians on both sides. We do not have all of the data at this moment.

I think it is fair to say that we are not devoting too much to military assistance, nor are we overemphasizing military assistance at the expense of economic assistance. This is shown on chart 3. While our own Federal budget devotes about 30 percent to defense, when it comes to what we do for other nations, our grants overseas are about 20 percent for military and 80 percent for economics. So I think in terms of our actual grants to other countries, we are not out of line in terms of what we are doing overseas militarily versus in terms of trying to help the developing economies of other nations.

[Charts 3 and 3A follows:]

CHART 3

**COMPARISON: U.S. BUDGET, DEFENSE SPENDING
AND U.S. INTERNATIONAL GRANTS
(FY 1983)**

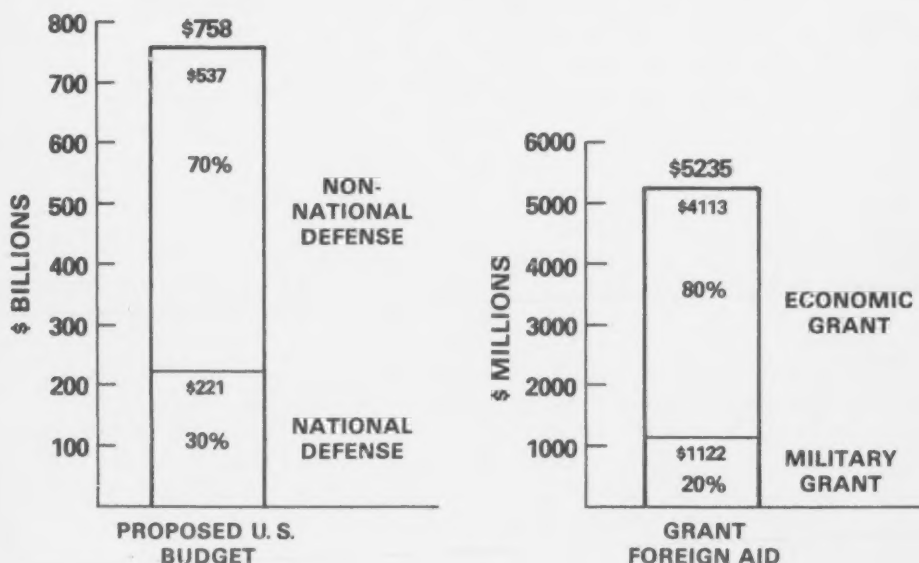
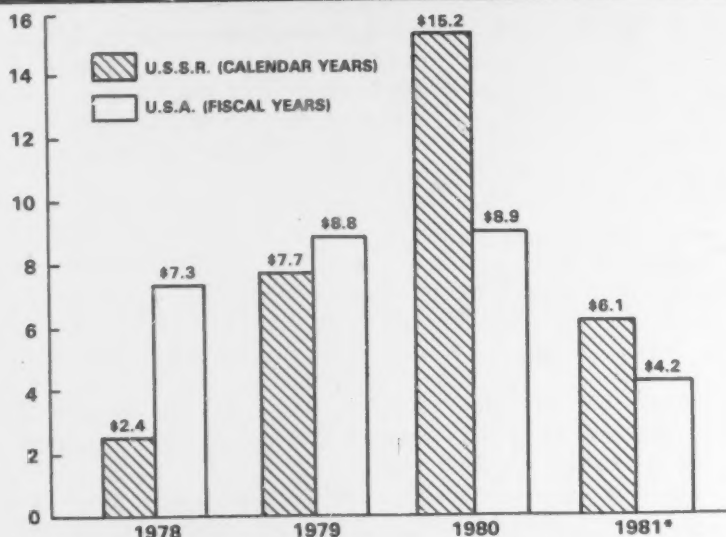


CHART 3A

U.S. AND SOVIET ARMS SALES TO THE THIRD WORLD (IN BILLIONS OF DOLLARS)



*U.S. DATA REFLECTS GOVERNMENT-TO-GOVERNMENT AGREEMENTS ONLY (i.e., FMS AND MAP). COMMERCIAL SALES ARE EXCLUDED BUT COMPRISE LESS THAN \$1B IN SALES TO THE THIRD WORLD FOR ANY GIVEN YEAR.

The Department of Defense, Senators, plays an active role in security assistance through three means. First, the Secretary of Defense, under the direction of the President, has the primary responsibility, taking into account the advice which is given to him by the Joint Chiefs of Staff, for the determination of the military end-item requirements for any given nation with whom we have an FMS credit arrangement.

Second, to meet urgent requirements, the services must take from their own stocks in order to provide for security. Otherwise, the hard-pressed nation must queue up and wait for as many as 2 to 4 years to receive a piece of equipment. This is so because for several years Congress forbade procurement in anticipation of foreign military sales; hence, there were no items on the shelf.

In 1981 the services in general, and especially the Army, really were understanding and forthcoming in responding to Secretary Haig's initiatives in the Middle East and Southwest Asia following the assassination of President Sadat.

Third, Congress in fiscal year 1982 did authorize a special defense acquisition fund [SDAF] to permit anticipatory procurement. Funding is to be at \$300 million a year and is to come from recoupments from prior-year sales. It will thus be a revolving fund which will be replenished from its own sales. The oversight and the authorization of the fund will be the joint responsibility of the Senate Foreign Relations Committee and through referral to the Senate Armed Services Committee and the respective committees in the House.

We consider this fund to be a major step forward. And the Department looks forward to continuing consultations with these committees concerning the SDAF. When we assist other nations, we also complement and improve our own defense capabilities and thereby our own security.

Senator, I would like to address the security assistance program in the Near East and South Asia. We do have a vital interest in assuring access to oil by the industrialized democracies and in denying to the Soviets the geostrategic advantages which would accrue were they to gain hegemony in the area. And therefore, we have a fundamental interest in nurturing an environment in which the local states are able to develop stable political and economic institutions and maintain their independence and integrity.

And the threats to the region which menace our interests are varied. The lesson of Afghanistan is that there is direct Soviet aggression as a threat. The Iran-Iraq war has dramatized the dangers of intraregional conflicts. The organization of the three Soviet proxies in the area—Libya, the People's Democratic Republic of Yemen [PDRY], and Ethiopia—when they constructed the Aden pact, threatens at least Sudan, Egypt, North Yemen, and most probably Somalia. And the victories of Iran over Iraqi forces and the recent Iranian-supported coup attempt at Bahrain raise the specter of the Iranian threat to the Persian Gulf.

Also, the recent Syrian-Iranian military and economic cooperation may imply a new radical alinement, perhaps with Libya, which would threaten our moderate friends in the area. The Soviet-supported PDRY maintains its threat to North Yemen and ultimately to Saudi Arabia.

To meet these threats, we are pursuing four primary defense security goals designed to support our foreign policy. First is to insure the security of Israel, while promoting the continuation of the peace process. Second is to support moderate, friendly states against overt attacks by radical states.

Third is to support these moderate states against the threat of regional conflicts or against subversion aided or directed by outside powers. And fourth is to limit the Soviet military influence and leverage in the region and to deter any direct Soviet attack.

Security assistance is a crucial element in meeting all of these objectives except the deterrence of a direct Soviet attack, which primarily must be the task of the U.S. forces, specifically the Rapid Deployment Joint Task Force.

The level of our security concerns in the region is reflected in the relative size of our security assistance program. Roughly 60 percent of our total security assistance budget is intended for countries, which Nick named in this region, and nearly 80 percent of this amount would go to the key states of Israel and Egypt.

This assistance is aimed at preserving regional stability, enhancing the security of Israel and other friendly states, and achieving a comprehensive and enduring peace settlement. To insure the first goal then, being Israel's security, President Reagan has reaffirmed that our policy is that Israel's qualitative technological advantage will be maintained and that we will be mindful as well of Israeli concerns with respect to quantitative factors and their impact upon Israel's security.

Our military assistance to Israel exceeds that of any other nation, and continues to rise. At \$1.7 billion, the fiscal year 1983 request is 21 percent above the fiscal year 1982 request, and accounts for 44 percent of U.S. military grants worldwide and 25 percent of U.S. military credits worldwide.

The United States will continue to support Israel, while seeking a negotiated settlement of the Arab-Israeli issues through the Camp David peace process.

We recognize the need to enhance strategic cooperation and to build on the special relationship that exists between our two countries. It must also be recognized that Israeli security is deeply related to the Palestinian issue, and working toward a resolution of that issue is fundamental to the security of Israel.

Our second goal, to support the moderate states against overt attack by radical states, refers to interstate rivalries and conflicts independent of the Arab-Israeli dispute, which are major threats which the Soviets can exploit. In some cases—Libya-Tunisia, Ethiopia-Somalia, PDRY-Oman—the moderate state with whom the United States has good relations is deficient in military equipment compared to its adversaries. This puts at risk states likely to advance our interests, and it increases the chances that the Soviets can achieve their objectives by encouraging and abetting aggression by surrogate forces.

Our objectives are to enhance our influence with key area states and to limit Soviet relations with regional clients. In our relationships with the region states, we must strike a delicate balance between close cooperation and actions potentially endangering to the very regimes we seek to support.

Through diplomatic means we must make military cooperation more feasible, and accordingly, given a proper diplomatic-military balance, our defense policy is also paying attention to the security of the moderate states primarily through enhanced security assistance programs. The substantial programs and FMS credits for Egypt in fiscal year 1982, \$900 million, in fiscal year 1983, \$1.3 billion, are designed to assist the needed modernization of the Egyptian Armed Forces. Egypt will receive forgiven credits for the first time, \$200 million in fiscal year 1982, and we are requesting \$400 million in forgiveness in fiscal year 1983.

The external threat posed by Libya imposes severe needs on the Egyptian Armed Forces for defense not only of Egypt but also for support for Sudan, with whom Egypt has a mutual defense pact. Egypt has played a leading moderate role in the area, and it is the foremost Arab military power and exerts a stabilizing influence in Africa as well.

But its ability to counter Soviet-supported threats is weakened by the growing obsolescence of its mainly Soviet-origin military equipment. Our program for Egypt is the largest plan for fiscal year 1983, and it is designed to improve the credibility of the armed forces of Egypt. We are not attempting to replace Soviet equipment on a 1-for-1 basis, nor are we meeting all the equipment requirements which we have jointly identified. Therefore, any reductions in the Egyptian program would have a serious impact on the 5-year modernization plan which we have drawn up, and so we are requesting that these forgiveness credits in order to help Egypt's struggling economy so that it will not be further burdened with a larger debt.

We are proposing \$275 million for Pakistan, which has courageously maintained its opposition to the Soviet aggression in Afghanistan. For the 5-year increment, the administration has agreed to support a request of \$3.2 billion for security assistance for Pakistan. Roughly half of the \$3.2 billion will be in the form of FMS credits to enable Pakistan to purchase U.S. military equipment. Over the 5-year period the annual FMS financing then for Pakistan will be in the \$300 million range. Our specific proposal for fiscal year 1983 is \$275 million.

We are also requesting an IMET program which was reestablished in fiscal year 1982, at a \$600,000 level, be increased to \$800,000. Apart from IMET, no U.S. funding has so far been committed to the renewed security assistance relationship with Pakistan.

However, based on administration assurances of multiyear funding support, Pakistan has drawn on its own resources and financial help from third countries to initiate in fiscal year 1982 its program of equipment procurements. As these arms are assimilated and the U.S. FMS financing becomes available, we anticipate the sale of additional military equipment.

As the two remaining attachments show, Senator, our foreign military sales credit program since 1975 has concentrated on Israel and beginning with Camp David, upon Egypt.

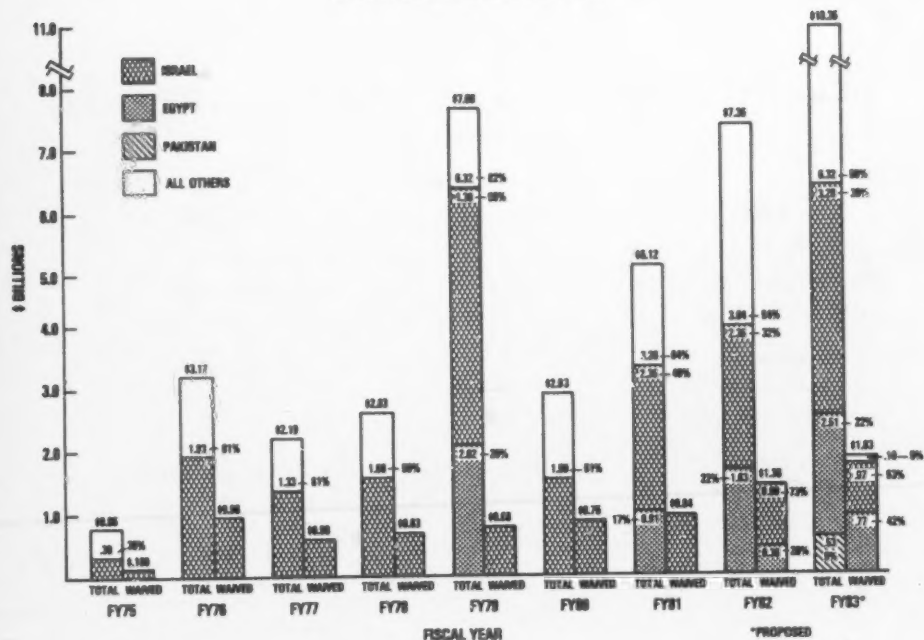
This is a very busy slide, but it may be of some help to your staff when they are going through the records of what happened in prior years. From fiscal year 1975 through fiscal year 1982, all waived credits in the FMS program were for Israel. This year and next year we have added Egypt and Sudan at a \$50 million level.

The proposed foreign military sales credits for Pakistan comes after years of noninvolvement. And given the security problems faced by Pakistan and its aging equipment, we must now begin to make up for lost time.

[Chart 4 follows:]

CHART 4

FMSCR PROGRAM FY1975-1983 (CONSTANT FY1975 \$)



On the next chart, Senators, again probably more for use of your staff, we have set out the list of equipment which ordered by Israel, Egypt, and Pakistan according to major military items procured from the United States during the past 7 years.

[Chart 5 follows:]

CHART 5

SELECTED MAJOR EQUIPMENTS ORDERED

(FY1975-1983)

	<u>ISRAEL</u>	<u>EGYPT</u>	<u>PAKISTAN</u>
1975	(1500) DRAGON MISSILES (56) 155MM SP HOWITZERS (200) M48A3 TANKS		(30) M48 TANKS (3930) TOW MISSILES
1976	(25) F-15 AIRCRAFT (4) E-2 AIRCRAFT (180) AIM 7F MISSILES		
1977	(3200) TOW MISSILES (1265) M113A1 APCs (252) M60A1 TANKS (94) 155 SP HOWITZERS		(2) GEARING DESTROYERS (230) M113A1 APCs (350) AIM 9 MISSILES (15) M88A1 TANK RECOVERY VEHICLES (100) MK46 TORPEDOES
1978	(60) I-HAWK MISSILES (15) F-15 AIRCRAFT (100) GBU-15 BOMBS (100) WALLEYE		(40) ASROC MISSILES (21) AIM 3 MISSILES
1979	(120) AIM 7F MISSILES (7) PHALANX WEAPON SYSTEMS (100) I-HAWK MISSILES (645) APCs (200) M60A3 TANKS (200) 155 SP HOWITZERS	(35) F-4E AIRCRAFT (50) M113A2 APCs	

SELECTED MAJOR EQUIPMENTS ORDERED

(FY1975-1983)

(Continued)

<u>ISRAEL</u>	<u>EGYPT</u>	<u>PAKISTAN</u>
1980 (300) MAVERICK MISSILES (600) SIDEWINDER MISSILES (180) CHAPPARAL (100) GBU-15 BOMBS	(11) I-HAWK BATTERIES (4) TPS-50 RADAR (8) TPS-63 RADAR (12) TOW LAUNCHER/MISSILES (311) M60A3 TANKS (686) M113A2 APCs (40) F-16 AIRCRAFT	(2) GEARING DESTROYERS (1000) TOW MISSILES
1981	(15) CH-47 HELICOPTERS I-TOW VEHICLES/MISSILES (100) (128) M60A3 TANKS (478) M113A2 APCs	(1530) TOW MISSILES
1982 (100) I-HAWK MISSILES	(40) F-16 AIRCRAFT (300) AIM 9L MISSILES (220) M60A3 TANKS	(40) F-16 AIRCRAFT (100) M48AS TANKS (75) M198 155MM HOWITZERS (104) M110A2/M109A2 SP HOWITZERS (1000) I-TOW MISSILES (10) AH-1S ATTACK HELICOPTER (35) MBRAI RECOVERY VEHICLES

The programs that we are proposing for Jordan, Oman, and North Yemen and the other regional states also are important, because each of these states has clear requirements which Nick Veliotis has outlined, and therefore I will not burden you by repeating what he had to say.

Similarly, for Tunisia and Morocco, I believe that Assistant Secretary Veliotis has covered that, so I will skip that part of my testimony. I would only indicate in regard to Tunisia, Senators, that it was after the Libyan-inspired and quite bloody attack on the city of Gafsa in 1980 that we saw Tunisia begin to take quite seriously a desire to build up its own military forces and to open up a security dialog with us about FMS credits so that it could get on with having a force which could deter such an attack in the future from Libya.

Senator BOSCHWITZ. We had earmarked—well, this is not really a Defense Department matter—perhaps, Nick, you could discuss this a little later. We had earmarked certain ESF funds for Tunisia that I notice are not in the request.

Mr. West, go ahead.

Mr. WEST. I think I will cut this short right now, Senator, because I have four more pages, and we have another witness.

Let me say that the fourth goal that we have is to limit Soviet influence and deter Soviet direct aggression. The bulk of that mission clearly is not a security assistance mission. The bulk of that mission is where our Rapid Deployment Joint Task Force comes into play, with the request we have for funding bases in the region and with the very large increase we have requested in the Department of Defense budget for fiscal years 1982 and 1983 for our Rapid Deployment Joint Task Force.

And with that, I would conclude my statement, Senator.
[Mr. West's prepared statement follows:]

PREPARED STATEMENT OF HON. FRANCIS J. WEST, JR.

Mr. Chairman, members of the subcommittee, I am pleased to appear before you to discuss our national defense objectives in the Near East and South Asia and the significant role which security assistance plays in support of those objectives.

I would like to begin by discussing generally the role of security assistance as an instrument of U.S. foreign and defense policy. The leadership and policy guidance in security assistance matters rests with the Secretary of State. The Department of Defense strongly supports the State Department's fiscal year 1983 Security Assistance budgetary request: \$5.6 billion is requested for Foreign Military Sales, of which \$950 million is grant, or forgiven loans; another \$789 million are loans at concessional terms; and \$3.9 billion are loans at prevailing interest rates. Egypt, Turkey, Israel and Spain comprise about 70 percent of the FMS request; 40 other countries share the other 30 percent. As Chart 1 shows, in constant dollars we are allocating less in military grant assistance than at practically any time since the end of World War II. Chart 1A shows our proposed fiscal year 1983 request, while Chart 1B lists the major recipients of the requested funds. Yet, as a nation we have grown much richer, while our friends in many lesser developed countries are growing poorer, and the Soviet Union is providing to their allies in the LDCs at least twice our level of military grant assistance (Chart 2). Chart 2A shows the result in outputs of military equipment. The same trends show in training, as illustrated on Chart 2B. We have also chosen to reduce drastically our security assistance personnel overseas (Chart 2C). Again, the comparison with the Soviet Union (Chart 2D) is striking. We are certainly not devoting too much to military assistance; nor are we overemphasizing military assistance at the expense of economic assistance. Chart 3 illustrates that while 30 percent of our own federal budget goes to Defense, only 20 percent of U.S. grants overseas is for military assistance. The other 80 percent is for economic assistance.

DOD plays an active role in security assistance through three means. First, the Secretary of Defense, under the direction of the President, has primary responsibility for the determination of military end-item requirements. Second, to meet urgent requests, the Services must take from their own stocks items for security assistance. Otherwise, a hard-pressed nation must queue up and wait as much as 2-to-4 years. This is so because for several years Congress forbade procurement in anticipation of foreign military sales. Hence, there were no items on the shelf. In 1981, the Services in general—and especially the Army—were extraordinarily understanding and forthcoming in responding to Secretary Haig's initiatives in the Middle East and Southwest Asia following the assassination of President Sadat. Third, Congress in fiscal year 1982 authorized a Special Defense Acquisition Fund (SDAF) to permit anticipatory procurement. Funding, at \$300 million per year is to come from recoupments from prior year sales. It will be a revolving fund to be replenished from its own sales. Oversight and authorization of the fund will be the joint responsibility of the Senate Foreign Relations Committee, and through referral, the Senate Armed Services Committee and the respective committees in the House. The fund is a major forward step. DOD looks forward to continued consultations with the committees on the SDAF.

When we assist other nations in meeting their legitimate defense needs, we also complement and improve our own defense capabilities and thereby our own security. Security assistance full complements our defense program and the defense budget contributes significantly to the national security and requires a very small cost to the American taxpayer.

Now, I would like to address our security assistance program in the Near East and South Asia region. This vast region is of critical importance to the United States. We have a vital interest in assuring access to oil by the industrialized democracies, and in denying to the Soviets the geo-strategic advantages of hegemony in the area. We, therefore have a fundamental interest in nurturing an environment in which local states are able to develop stable political and economic institutions and relationships and maintain their independence and integrity. The threats to the regional order which menace our interests are varied. The lesson of Afghanistan is that there is a direct Soviet aggressive threat. The Iran-Iraq war has dramatized the dangers of intra-regional conflicts. The organization of three Soviet proxies in the area, Libya, the PDRY, and Ethiopia in the Aden Pact threatens at least Sudan, Egypt and North Yemen. The victories of Iran over

Iraqi forces, and the recent Iranian-supported coup attempt in Bahrain, raise the spectre of an Iranian threat to the Persian Gulf. Also, the recent Syrian-Iranian military and economic cooperation may imply a new radical alignment, perhaps with Libya, which would threaten our moderate friends in the area. The Soviet-supported PDRY maintains its threat to North Yemen and ultimately to Saudi Arabia.

To meet these threats, we are pursuing four primary Defense security goals designed to support our foreign policy in the area:

Ensure the security of Israel while promoting the continuation of the peace process.

Support moderate friendly states against overt attacks by radical states.

Support moderate states against the threat of regional conflicts and against subversion aided or directed by outside powers; and

Limit Soviet military influence and leverage in the region and deter Soviet attack.

Security assistance is a crucial element in meeting all of these objectives except deterrence of a direct Soviet attack, which must primarily be the task of U.S. forces, specifically the RDJTF.

The level of our security concerns in the region is reflected in the relative size of our security assistance program. Roughly 60 percent of our total security assistance budget request is intended for countries in this region and nearly 80 percent of this amount would go to Israel and Egypt. This assistance is aimed at preserving regional stability, enhancing the security of Israel and other friendly states, and achieving a comprehensive and enduring peace settlement.

Let me now describe each of these goals in more detail.

1. Ensure Israeli Security

President Reagan has reaffirmed the U.S. policy that Israel's qualitative technological advantage will be maintained, and that we will be mindful as well of Israeli concerns with respect to quantitative factors and their impact upon Israel's security. Our military assistance to Israel exceeds that of any other nation and continues to rise. At \$1.7 billion, the fiscal year 1983 request is 21 percent above fiscal year 1982 and accounts for 44 percent of U.S. military grants worldwide and 25 percent of U.S. military credit worldwide.

The United States will continue to support Israel while seeking a negotiated settlement of Arab-Israeli issues through the Camp David peace process. We recognize the need to enhance strategic cooperation and to build on the special relationship that exists between our two countries. It must also be recognized that Israeli security is deeply related to the Palestinian issue. Working toward a resolution of that issue is fundamental to the security of Israel.

2. Support Moderate States Against Overt Attack by Radical States

Interstate rivalries and conflicts, independent of the Arab-Israeli dispute, are a major threat which the Soviets can exploit. In some cases (Libya-Tunisia, Ethiopia-Somalia, PDRY-Oman), the moderate state with whom the United States has good relations is deficient in military equipment compared to its adversaries. This puts at risk states likely to advance our interests. It increases the chance that the Soviets can achieve their objectives by encouraging and abetting aggression by surrogate forces.

Our objectives are to enhance our influence with key area states and to limit Soviet relations with regional clients. In our relationships with the region's states, we must strike a delicate balance between close cooperation and actions potentially endangering to the very regimes we seek to support. Through diplomatic means, we must make military cooperation more feasible. Accordingly, given a proper diplomatic-military balance, our defense policy is also paying attention to the security of the moderate states, primarily through enhanced security assistance programs.

The substantial programs in FMS credits for Egypt in fiscal year 1982 (\$900M) and fiscal year 1983 (\$1.3B) are designed to assist the much needed modernization of Egyptian Armed Forces. Egypt received forgiven credits for the first time in fiscal year 1982 (\$200M) and we are requesting \$400M in forgiveness in fiscal year 1983. The external threat posed by Libya, now aligned with Ethiopia and South Yemen, imposes severe needs on the Egyptian Armed Forces—for defense not only of Egypt but of Sudan with whom Egypt has a mutual defense pact. Egypt is a valued friend and firmly committed to the Camp David process. It has a leading moderate role to play in the area, as it is the foremost Arab military power, and exerts a stabilizing influence in Africa as well. But its ability to

counter Soviet-supported threats in the region is weakened by the growing obsolescence of its mainly Soviet-origin military equipment. Our program—the second largest planned for fiscal year 1983—is designed to improve the credibility of its armed forces on the one hand, and to encourage the Egyptian Government to continue the pursuit of peace in the region on the other. We are not attempting to replace Soviet equipment on a one-for-one basis nor are we meeting all the equipment requirements which we have jointly identified. Therefore, any reductions in the Egyptian program would severely impact its 5 year force modernization program, the strategic relationship we are building with Egypt, its ability to support other moderate friends, and its moderate political leadership in the area. We are requesting these forgiven credits so that Egypt's struggling economy is not burdened further with a huge debt burden.

We are proposing a \$275M program for Pakistan, a long time friend of the United States, which faces a host of security problems emanating primarily from Soviet presence in Afghanistan. Pakistan has courageously maintained its opposition to the Soviet aggression in Afghanistan. To enable it to continue to do so by meeting the threat of Soviet military intimidation, the Administration, in bilateral negotiations in 1981, agreed to support a 5-year, \$3.2 billion security assistance program for Pakistan.

Roughly half of the \$3.2 billion would be in the form of FMS credits to enable Pakistan to purchase U.S. military equipment to modernize its armed forces. Significant U.S. funding would begin in fiscal year 1983 and, subject to annual Congressional authorization/appropriations action, continue through fiscal year 1987. Over the 5-year period, annual FMS financing would be in the \$300 million range. Our specific proposal for fiscal year 1983 is \$275 million.

To help Pakistan obtain requisite training for improving its defenses, an IMET program was reestablished in fiscal year 1982 at the \$600,000 level. We propose to increase this level to \$800,000 in fiscal year 1983.

Apart from IMET, no U.S. funding has so far been committed to the renewed security assistance relationship with Pakistan. However, based on Administration assurances of multi-year funding support, Pakistan has drawn on its own resources and financial help from third countries to initiate its program of equipment procurements from the United States. As these arms are assimilated by Pakistan's forces and proposed FMS financing becomes available, we anticipate the sale of additional military equipment, as yet undetermined, in furtherance of the U.S. objective of enhancing Pakistan's security.

As the two remaining attachments show, our Foreign Military Sales credit program, since fiscal year 1975, has concentrated on Israel and, beginning with Camp David, Egypt. From fiscal year 1975 thru fiscal year 1982, all waived credits in the FMS program were programmed for Israel; this year and next, we have added Egypt and Sudan (\$50M).

The proposed Foreign Military Sales credit for Pakistan in fiscal year 1983 comes after years of non-involvement (Chart 4). Given the security problems faced by Pakistan and its aging equipment, we must now begin to make up for lost time. The list of equipment ordered by Israel, Egypt and Pakistan shows the major military items procured from the United States during the past 7 years—Israel has acquired weapons and weapons systems that enable it to retain a qualitative margin of security; Egypt has, since fiscal year 1979, begun to procure U.S. equipment—mostly ground and air—to substitute for its aging Soviet-supplied equipment; and Pakistan, which has acquired U.S. weapons systems through cash purchases in the past, now hopes to acquire newer items through credits (Chart 5).

The programs we are proposing for Jordan, Oman, North Yemen, and other regional states are important because each of these states has clear requirements for improving their military capability to defend against threats in their region—Jordan faces a threat from Syria and possible spillover from the conflict in Lebanon; Oman and North Yemen both must contend with the threat from the PDRY and Oman faces a potential threat from Iran. The increase proposed for Jordan (\$75M total credits) is designed to enable this strategically important friend to develop and maintain a credible force against its bigger and more powerful neighbors. We hope, also, to increase the funding for the military training programs in order to assist Jordan to enable it to improve further the quality of its highly professional military personnel and to continue its military advisory role in the Gulf.

We are proposing major increases for Tunisia and Morocco, two North African countries facing threats to their national security and, in the case of Morocco, an ongoing conflict in the Sahara. The FMS credits for Tunisia we

are proposing would increase by 60 percent (total of \$135M) and we are recommending that half of these be offered in the form of direct credits at concessional interest rates. After the Libyan-inspired, bloody attack on the city of Gafsa in 1980, Tunisia has begun a new five-year military modernization program to upgrade its military forces. Tunisia is strategically located and has expressed an interest in closer military cooperation with the United States, and a United States-Tunisian Joint Military Commission has been established. This increase in security assistance is directly tied to the Tunisian modernization program, and is needed to assist Tunisia deter Libyan adventurism and to cope with efforts to destabilize the pro-Western government.

Similarly, our fiscal year 1983 request includes a sizable increase for Morocco (total \$100M in credits) and a proposal that half their credits be on concessional terms. Morocco is a critical enroute country to the Persian Gulf region and has repeatedly taken positions which are pro-Western and supportive of U.S. foreign policy. We anticipate discussions with Morocco on contingency access to Moroccan facilities. The recent introduction by the Polisario of SAM-6 missiles in the Saharan conflict has escalated the conflict to a new level and we have agreed to provide assistance to King Hassan specifically to help counter this threat.

3. Support Moderate States Against the Threat of Regional Conflicts and Subversion Aided or Directed by Outside Powers

Radical Fundamentalist movements, backed by foreign military aid and aggression, are a genuine threat to the integrity of the region. Examples include Libyan attempts at subversion in Egypt, Sudan, and Somali and the Iranian effort at a coup in Bahrain. Many regional states are militarily weak, and all depend on external support to equip and supply their armed forces. This increases their susceptibility to external influence, although most states resist overdependence on either superpower. These circumstances are particularly enticing to the Soviets who, realizing that overt military aggression in Southwest Asia would risk general war with the United States, are more likely to opt for encouraging subversion and internal upheavals as a safer, more productive policy.

These sorts of threats argue for greater diplomatic and economic measures in conjunction with support for security assistance and discussions through joint military commissions. Through these discussions, the U.S. gains a better appreciation of the threats, establishes close military relations, and the regional states better understand ways in which we can assist them, as well as our security goals in the area.

4. Limit Soviet Influence and Deter a Soviet Invasion

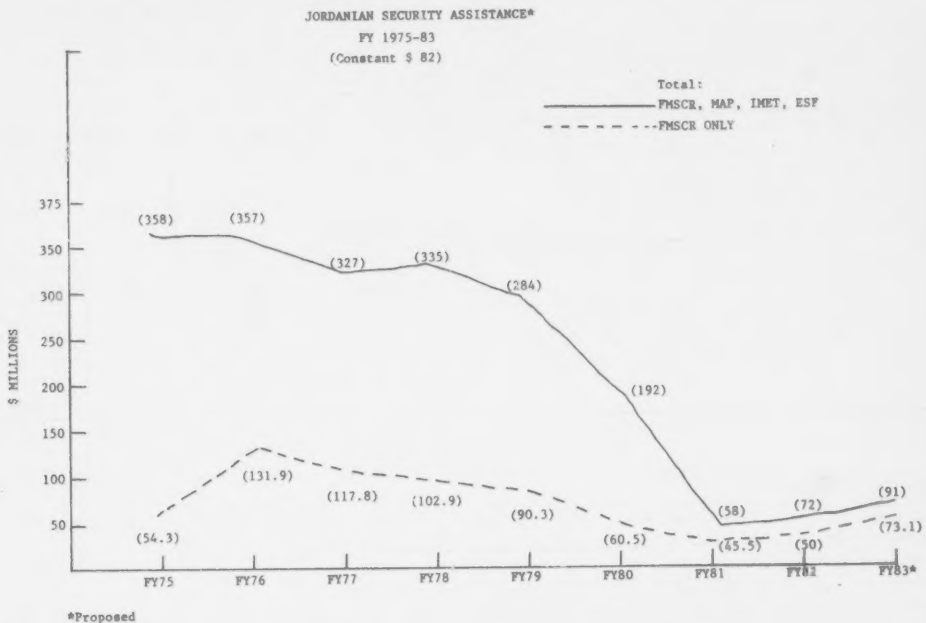
The interrelated economies of the United States, Europe, and Japan cannot do without Persian Gulf oil. Soviet control of Gulf oil would totally change the political and economic shape of the world. The prime U.S. defense objective in Southwest Asia, therefore, is to prevent Soviet military hegemony. Nations in the region will shape their policies at least partially in accord with their perception of the prevailing military balance between the superpowers. The United States must not be perceived as wanting in either the will or the capability to defend Western interests—and those interests we share with regional states. Hence, deterrence of direct Soviet aggression will depend on the capability of and funding for the Rapid Deployment Joint Task Force. Security assistance does not play the central role in deterring Soviet aggression, but it will enhance the ability of U.S. forces to operate alongside regional forces if they are armed by the United States equipped with U.S. material and knowledgeable about U.S. doctrine and strategy. The major deterrent role, however, must rest with U.S. forces.

Unlike the situation in Western Europe and Northeast Asia, we have had no long standing military presence or ready force capabilities in the region, other than our naval presence. Hence, we have developed a policy, backed up significantly by our security assistance effort, to reassure our friends that we are pledged to maintain their independence in the face of legitimate threats to their integrity and stability. The approval for sale of the Airborne Warning and Control Aircraft (AWACS) to Saudi Arabia, the removal of restrictions against providing military assistance to Pakistan, the sizable assistance program with Egypt, and our relations with Somalia and Oman are all part of a cohesive strategy to improve our relations with friendly armed forces. This requires an expansion of our security assistance program, primarily through foreign military sales and military training. The Middle East remains critical to our industrial and geo-

strategic priorities. That is why, as I mentioned at the beginning of my statement, the bulk of our security assistance program goes to this region—roughly two-thirds of our FMS sales, nearly 70 percent of all FMS credits and more than four-fifths of all economic support funds (ESF) have been directed towards the Middle East and South Asia region.

In conclusion, I want to reiterate that security assistance complements and enhances our Defense budget. This is no where more evident than in our relations with friendly countries and our policy towards the Middle East and South Asia region.

This concludes my statement. Thank you.



FISCAL YEAR 1981 SECURITY ASSISTANCE PROGRAM DETAIL

[In millions of dollars]

	MAP	FMSCR	IMET	ESF/PKO	Total
COUNTRY DETAIL					
Program total.....	170.4	3,046.387	28.4	2,048.45/25	5,318.637
Budget authority.....	(110.1)	(900)	(28.4)	(2,048.45/25)	(2,687.05)
East Asia and Pacific:					
Burma.....			.031		.031
Indonesia.....		30	1.823		31.823
Korea.....		161.5	1.096		162.596
Malaysia.....		10	.3		10.3
Papua New Guinea.....			.008		.008
Philippines.....	25.0	50	.591	30	105.591
Singapore.....			.007		.007
Thailand.....		53.4	.795	2	56.195
Regional total.....	25.0	304.9	4.651	32	366.551
Near East and South Asia:					
Bangladesh.....			.131		2.131
Egypt.....		550	.792	829	1,379.792
India.....			.004		.004
Israel.....		1,400		764	2,164
Jordan.....		42.1	.849	10	52.949
Lebanon.....		20	.326	5	24.326
Morocco.....		33.4	1.006		34.406
Nepal.....			.063		.063
Oman.....		25	.008		25.008
Sri Lanka.....			.08		.08
Tunisia.....		15	.663		15.663
Yemen.....			.934		.934
Middle East regional cooperation.....				6.95	6.95
Sinai support mission.....				16 (PKO)	16
Regional total.....	0	2,085.5	4.856	1,614.95/16	3,722.306

FISCAL YEAR 1991 SECURITY ASSISTANCE PROGRAM DETAIL—Continued

[In millions of dollars]

	MAP	FMSCR	IMET	ESF/PKO	Total
Europe:					
Austria.....			.023		.023
Cyprus.....				14	14
Finland.....			.037		.037
Greece.....		176.5	1.144		177.644
Portugal.....	51.0		1.82	25	77.820
Spain.....	3.6	120	2.55	7	133.15
Turkey.....		250	1.651	200	451.651
Yugoslavia.....			.027		.027
UNFICYP.....				9 (PKO)	9
Regional total.....	54.6	546.5	7.252	246/9	863.352
Africa:					
Botswana.....		.5	.022	10.86	11.382
Cameroon.....		4.4	.05		4.45
Djibouti.....				2	2
Gabon.....		2.6	.049		2.649
Ghana.....			.2		.2
Ivory Coast.....			.024		.024
Kenya.....		6	.518	5.5	12.018
Liberia.....	1.0	4.7	6	32	38.3
Malawi.....			.021		.021
Mali.....			.109		.109
Mauritania.....			.027		.027
Niger.....		2.3	.21		2.51
Rwanda.....		1.5	.033		1.533
Senegal.....			.246		.246
Somalia.....		20	.38		20.38
Sudan.....	1.7	30	.58	50	82.28
Togo.....			.032		.032
Uganda.....			.026		.026
Upper Volta.....			.074		.074
Zaire.....		6	.836		6.836
Zambia.....				20.576	20.576
Zimbabwe.....				24.996	24.996
Southern Africa region.....				17.039	17.039
Regional totals.....	2.7	78.0	4.037	162.971/0	247.708
Inter-America:					
Barbados.....			.05		.05
Colombia.....			.284		.284
Costa Rica.....			.035		.035
Dominica.....			.026		.026
Dominican Republic.....		3	.43		3.43
Ecuador.....		4	.345		4.345
El Salvador.....	25.0	10	.492	44.9	80.392
Guyana.....			.024		.024
Haiti.....		.3	.123		.423
Honduras.....		8.4	.535		8.935
Jamaica.....		1.587	.074	41	42.661
Mexico.....			.12		2.12
Nicaragua.....				56.574	56.574
Panama.....			.378		.378
Peru.....		4	.317		4.377
St. Lucia.....			.007		.007
St. Vincent.....			.016		.016
Suriname.....			.033		.033
Venezuela.....			.008		.008
Central American regional program (ROCAP).....				.9	.9
PACAMS.....			4.148		4.148
Regional total.....	25.0	31.287	7.445	143.37	207.106
Nonregional: General costs.....	63.1		.159		63.259
Worldwide program total.....	170.4	3,046.187	28.4	2,199.295/25	5,469.282

1 Includes \$500,000,000 of direct credit for which repayment is forgiven.

2 Includes 506(a) drawdowns for El Salvador (\$25,000,000) and Liberia (\$1,000,000).

Senator BOSCHWITZ. Thank you, Mr. West.

Mr. Wheeler, can we have your statement? Your statement is indeed quite expansive. Do you have a summary of it?

Mr. WHEELER. Yes, Mr. Chairman; if you like, we could put the full statement in the record and I could make a few summary comments.

Senator BOSCHWITZ. Would you do that, please? Perhaps you could make some summary comments that are directed at areas not covered by Mr. West and Ambassador Veliotis.

Mr. WHEELER. Fine. I would be glad to do that.

STATEMENT OF JOSEPH C. WHEELER, DEPUTY ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT, ACCOMPANIED BY BRADSHAW LANGMAID, DEPUTY ASSISTANT ADMINISTRATOR, NEAR EAST BUREAU, AID; AND EUGENE STAPLES, ACTING ASSISTANT ADMINISTRATOR FOR ASIA, AID

Mr. WHEELER. For the Near East and South Asia for development assistance, economic support funds and Public Law 480 we seek a total of \$2.7 billion.

I would like to just discuss a couple of the individual programs of particular significance.

We are asking \$785 million under the economic support fund for Israel. I would like to call your attention to our report requested by Congress and submitted on March 9, 1982, entitled "Report on the Israeli Economy and Debt Repayment Prospects." That report indicates that Israel, while still under continuing economic pressure, has effectively managed its resources to permit a temporary increase in 1981 in both private and public expenditures while increasing exports in real terms by 5 to 6 percent, and marginally increasing foreign exchange reserves. Thus, Israel is maintaining its standard of living—Israel has a per capita income of about \$4,500 a year—while maintaining its ability to service growing levels of debt incurred primarily in connection with its defense effort.

Just over \$1 billion is proposed for Egypt. Now, this includes \$750 million in economic support funds and \$271 million under titles I and II of Public Law 480.

Over the past 6 years during which we have been providing very large amounts of economic assistance to Egypt, that country has done very well in many respects. The growth rate in terms of real GNP [gross national product] has been running on the order of 8 to 9 percent annually. Entering the period Egypt was substantially behind in paying its bills. Now its earnings from oil exports, workers' remittances, Suez Canal revenues, tourism, and other exports total on the order of \$10 billion a year compared with \$4 billion in 1976.

Senator BOSCHWITZ. Have they increased in the last year or two as well?

Mr. WHEELER. Yes; on the margin, although the situation is more difficult today than it appeared 1 year ago.

With the reduction in oil prices and anticipated reduction in economic activities in oil-producing countries where many Egyptians work, earnings are likely to taper off. At the same time, Egyptian policy, which has resulted in a substantial disruption of market prices, encourages imports, and discourages exports. Thus, in the period ahead Egypt faces the need for making serious adjustments in order to balance the books.

This year's somewhat more pessimistic assumption of the Egyptian economic prospects is discussed in considerably more detail in our re-

cent report on the Egyptian economy and debt repayment prospects submitted to the Congress on March 26, 1982.

Mr. Chairman, Egypt has asked us to do what we can to accelerate disbursements in our aid program, and we've agreed to respond to Egyptian initiatives for policy adjustments which Egypt needs to make in ways which will facilitate the disbursements of our funds and support the reforms. This is a matter of continuing discussion between the officials of our two Governments. Meanwhile, many of the long gestation projects started in the course of the past 6 years have come into the high-expenditure period, and as a result, our overall disbursement rate in fiscal year 1982 is projected to exceed our obligation rate for the first time. Thus, we can expect a gradual diminution of our unexpended balances over the years ahead.

Senator BOSCHWITZ. Are you moving a little faster in Egypt then?

Mr. WHEELER. Yes; the expenditure rates are up. We would expect that the pipeline problem would ease over the coming period.

Turning to South Asia, I would like to note the important success of the subcontinent in the field of agriculture. For a number of years now agricultural production has increased substantially, and fluctuations in crop levels have been reduced through the use of improved seed varieties and other modern inputs and the rapid expansion of irrigation systems. As examples, let me point to Pakistan where farmers are harvesting a record wheat crop this year of between 12 and 13 million tons as compared with crops 6 years ago of 7 to 8 million tons. Similarly, in India wheat production has increased very rapidly with a possible harvest this year of 38 million tons compared with 29 million tons 6 years ago.

Striking progress has also been achieved on rice in India, Bangladesh, although stricken this year by drought, has increased rice production over the past 5 years from 13 million to 15 million tons; that is, from 13 million tons 5 years ago to more than 15 million tons now. Wheat production has gone up from virtually zero to more than a million tons.

And by citing these statistics I do not want in any way to suggest that the job is done in South Asia. The population of India, Bangladesh, and Pakistan taken together rose at a rate of 18 million each year. Bangladesh, one of the least developed countries on the World Bank list, has a per capita income of less than \$100. Indeed, more than 300 million people in India live below the poverty line of \$100 per year. Thus, the job to be done is enormous and requires the best efforts of each of the governments of the area and of the donor countries, including the United States.

Mr. Chairman, I have here today Deputy Assistant Administrator for the Near East Bureau, Mr. Bradshaw Langmaid, and the Deputy Assistant Administrator for the Asia Bureau, Mr. Eugene Staples. AID is organized in such a way that the Near East-South Asia area falls in two bureaus.

Together we would be very pleased to answer the question.

Thank you.

[Mr. Wheeler's prepared statement follows:]

PREPARED STATEMENT OF JOSEPH C. WHEELER

Mr. Chairman, I am pleased to be with you today to support the President's request for economic assistance for countries in the Near East and South Asia.

The proposed budget for the countries in these two regions for fiscal year 1983 includes \$1,768 million in Economic Support Funds, \$287.2 million in Development Assistant funds and, under a separate appropriation, \$618.5 million in Public Law 480 Titles I and II. Attached is a table summarizing our request.

The President's fiscal year 1983 foreign assistance request, of which the nations of the Near East and South Asia constitute a major part, clearly reflects the important role AID's programs play in helping to achieve America's broad economic, political and humanitarian objectives. By helping developing nations to address the institutional and structural problems that inhibit equitable growth, we heighten the likelihood of social stability and reduce the risk of violence in a very dangerous world.

There has been significant progress in many developing countries, yet the problems of the Third World continue to be very substantial. The magnitude of the development task—increasing agricultural productivity, excessive population growth, arresting environmental degradation, the need for relevant education and adequate health care, to name but a few of the commonly recognized problems—is so large that the developing nations cannot rely solely upon official development assistance flows from the United States. While the President's request does not propose radically new departures, it will move us toward a more comprehensive approach to the development challenge involving more emphasis upon institutional development, technology transfer, greater private sector development and engaging our friends in a dialogue about those policies which are consistent with broad based economic development. In this context, we would hope to provide a continuing demonstration that economic development strategy which relies heavily on the free market to allocate resources and set investment priorities is the most efficient and effective vehicle for meeting the basic needs of the poor.

Mr. Chairman, I would like to summarize the Administration's request for the Near East and South Asian regions.

For the Near East, we are requesting \$1,593 million in Economic Support Funds in fiscal year 1983 and \$45.4 million for Development Assistance. These funds will be used to support U.S. interests which are very clear. The Administration's overriding goals is to help bring peace and security to the region. Our programs of economic assistance are an essential element of this policy.

EGYPT

To help support the economic progress in Egypt we are requesting for fiscal year 1983 \$750 million under the Economic Support fund, the same basic level as in recent years. In addition, \$271.3 million is planned under Public Law 480—\$250 million under Title I/III and \$21.3 million under Title II. We are proposing that two-thirds of the resources made available under the Economic Support Fund be provided as grants (\$500 million). The balance of the Economic Support Fund resources (\$250 million) and the Public Law 480 Title I would be provided as loans payable over a period of 40 years, including a 10-year grace period. Interest on the loans would be 2 percent during the grace period and 3 percent thereafter.

The administration's request for Egypt is best understood in the context of the quest for peace and security in the Middle East and the rapidly changing, sometimes volatile, political and economic scene there. The assassination of President Sadat was a shock to the Egyptian people and to the world. The orderly succession of President Mubarak was reassuring, but he has inherited an economy beset with significant problems. President Mubarak has already initiated a broad and open discussion of the country's social and economic goals and priorities as well as the options available to achieve them. He has quickly reaffirmed the economic principles underlying President Sadat's "Open Door Policy" while simultaneously asserting that the ultimate purpose of increasing investment and hence productivity is to meet the needs of all Egyptian people. Attendant with this statement of Egyptian policy is the implication that sacrifices may be required to achieve the goal. We welcome President Mubarak's statement of the goal as well as the Egyptian willingness to seek new thoughts and ideas about how it can be achieved. Still, it should be recognized that the process of sorting out priorities, examining the trade-offs between current consumption and future productivity, and the many other difficult problems which confront the Egyptian economy will take time to resolve.

The Government of Egypt's introspective examination of its economic problems is timely. During the last year, the economy suffered several shocks in addition to the death of President Sadat. First, there was a world-wide softening in the oil market which forced Egypt to lower its export prices. While Egypt was able to protect its export market, lower prices have reduced anticipated foreign exchange earnings. In the near term, there is no basis for expecting a recovery of oil prices. Second, non-oil exports declined in real terms, as apparently did receipts from tourism and worker remittances from abroad based upon preliminary data. Data concerning these last two items, combined with significant changes in government foreign exchange regulations, resulted in a sharp jump in the demand for foreign exchange and, hence, an open market exchange rate discount of 20 percent of the new rate. Third, domestic inflation appears to be mounting significantly faster than the official, overall rate of 10 percent, especially for nonsubsidized items. Fourth, it is likely that domestic inflation is being fueled by a growing budget deficit and, concomitantly, an apparent rapid growth in the money supply.

Even though real growth of the economy approached 9 to 10 percent in the past year, signs of significant weakness are evident. Large segments of the domestic manufacturing sector are not competitive with imports. Domestic price controls, administrative controls on output, restricted access to credit, an underemployed labor force, and drastically underpriced inputs, e.g. energy, skew the allocation of resources in ways which will not serve the long run needs of the Egyptian development effort.

Over the longer term, sustained economic growth and high levels of foreign exchange earnings will depend in large measure on Egypt's success in rationalizing its industrial and agricultural investment policies to move from capital and energy intensive industries to export-oriented labor-intensive industries. In order to make these investment decisions on a rational basis, the pricing system should be altered to reflect market scarcities.

The reforms can be carried out while at the same time maintaining Egypt's commitment to protect and improve the standards of living of its proper citizens. The task now is for Egypt to make the policy choices to promote growth, efficiency and equity in the Egyptian context.

During President Mubarak's State visit to the United States in February he sought assurances from the Administration that the United States would do its best to provide economic assistance in ways which would be responsive to Egyptian needs and which would also promise more expeditious implementation.

The assurances were provided in the form of an agreed statement of principle between the U.S. and Egyptian Governments. It marks the beginning of a dialog to enhance the understanding between our two governments on Egyptian economic goals, policy reforms, sectional strategies, more effective implementation and the ways in which U.S. assistance can help Egypt realize its considerable potential.

As it completes its sixth year since resumption of U.S. assistance the AID program has attained considerable momentum. Total fiscal year 1981 program disbursements were \$1,027.1 million, nearly equalling obligations (\$1,132.9 million). The most impressive fiscal year 1981 gains were in project disbursements, which at \$350 million were up 75 percent over fiscal year 1980. Higher disbursements resulted from a variety of factors, including the increased use of quicker-disbursing program implementation modes, the maturation of a number of large capital projects, and greater attention to implementation by the Government of Egypt and AID.

AID program results are increasingly visible in such areas as electric power generation and distribution, village infrastructure, telecommunications, port capacity, commercial transport, urban water and sanitation systems, and an expanded population program which is building on accelerating acceptor rates in both urban and rural areas.

In fiscal year 1983 expenditures will exceed obligations by an anticipated \$150 million. The overall pipeline, however, remains substantial—\$2.5 billion at the beginning of fiscal year 1982. While the pipeline largely represents reservations of funds for contracted costs of capital projects now in implementation and on schedule, the pipeline also reflects the existence of some projects experiencing delays in final design or in execution. These latter projects are the subject of intensive dialogue and investigation by our mission in collaboration with Egyptian authorities.

Our fiscal year 1983 program of economic assistance to Egypt represents a combination of short-term economic stabilization efforts and longer-term activities aimed at developing self-sustained growth with equity. The main components of the Economic Support Fund program are: \$250 million Commodity Import Program to help assure the availability of essential raw materials and capital goods for industry and agriculture, some consumer items and to replenish the Trade Financing Facility; \$85 million to increase industrial production and productivity, especially in the private sector; \$154 million for infrastructure, including water and sewerage and a new activity to expand the role of the private sector in housing; \$35 million for a new agricultural activity based upon the 1981 evaluation of Egypt's research and extension services and the current review of Egypt's agricultural growth opportunities by a U.S. Presidential team; \$98 million to finance the on-going portfolio of decentralization projects; \$50 million for two continuing education projects; \$50 million for new health and family planning activities to follow current sector assessments; and \$28 million for other priority concerns, including manpower planning and development, technology transfer and feasibility studies, and an energy planning activity.

ISRAEL

For Israel in fiscal year 1983 we are requesting \$785 million. Two-thirds of the \$785 million in Economic Support Funds is requested as a grant (\$525 million). The remaining one-third (\$260 million) is proposed as a concessional loan with a ten year grace period followed by a thirty year repayment period. Interest will be at two percent during the grace period and three percent thereafter, highly concessional terms. Together with the proposed FMS credits, U.S. economic assistance for fiscal year 1983 tangibly reflects our commitment to support Israel, thereby encouraging it to take the further risks necessary to achieve lasting peace in the Middle East.

Despite many serious problems, in particular the redeployment of military units from the Sinai, the continuing large oil import bill, and economic stagnation in Western Europe and North America, Israel achieved notable economic success in 1981. All major components of GNP grew impressively. At the same time, the rate of inflation dropped to 102 percent, still much too high, but an improvement over the 111 and 133 percent rates recorded in 1979 and 1980, respectively. Exports were up 5-6 percent over 1980, while civilian imports increased at a slightly higher rate. Overall, the non-defense goods and services deficit was probably between \$2 and \$2.5 billion as compared with \$2.1 billion in 1980. Further, since Israel's foreign exchange reserves continued to grow in 1981, it may be inferred that net capital flows were sufficient to finance the current account deficit and the amortization of Israel's external debt.

Despite the progress achieved in 1981, Israel's basic problems remain unresolved. It must find a way to contain inflation and at the same time restore equilibrium in the balance of payments, and it must achieve these objectives without massive unemployment.

As in the past, the ESF cash transfer program will be implemented on the assurance from Israel that it will import non-defense goods from the United States in an amount at least equal to the cash transfer level and that Israel will follow agreed procedures for selecting dry bulk carriers to ship grain.

JORDAN

In fiscal year 1983 we are requesting \$20 million for Jordan in Economic Support Funds, the same amount originally requested for fiscal year 1982. Of this amount, \$15 million would be in the form of loans, with a 20-year repayment period, appropriately reflecting Jordan's "middle income" status. Over the past 5 years real growth in Gross Domestic Product has averaged 9 percent per annum. Jordan continues to enjoy an overall balance of payments surplus, stemming from worker remittances, strong export performance and economic assistance provided under the Baghdad Agreements (amounting to about \$1.2 billion annually).

Water remains Jordan's priority development problem. Per capita daily consumption, approximately 50 to 60 liters per day, is well below the World Health Organization minimum-safe health standard of 80 liters. Supply and distribution must be expanded, and use, including reflows, intelligently and conservatively managed. In fiscal year 1983, \$17 million of the \$20 million requested will be used for construction of water and sewage systems for the towns of Karak and Ma'an.

as well as technical assistance to the national water authority. These three projects are part of a country-wide development plan for urban water and sewage services to deal with problems derived from rapid urban growth. The balance of \$3 million proposed for fiscal year 1983 is planned for the Development Administration Training III project to finance the training of Jordanians in the United States.

LEBANON

Political discord and violence continue to plague Lebanon. The central government continues to seek national reconciliation and to extend its authority throughout the country, but a variety of illegal armed groups and militias are reluctant to cooperate and frustrate the government's efforts.

In fiscal year 1983 the Administration is requesting \$8 million in Economic Support Funds of which \$4.5 million will be channeled through United States, Lebanese, and international private voluntary organizations operating in close coordination with the Government of Lebanon. We believe this is one effective way our funds can support our political interests in Lebanon. The funds requested will continue our support of health education, credit cooperatives, vocational training, and private social institutions. These programs contribute directly to the welfare of the Lebanese people, especially lower income people most affected by the civil strife. In addition, the fiscal year 1983 program will help strengthen Lebanese institutions in the reconstruction process by melding U.S. expertise with substantial flow of non U.S. funds. To this end, \$1 million is proposed for technical assistance to the Council for Development and Reconstruction and \$2.5 million to establish an authority to administer Lebanon's national waste management program.

MOROCCO

Morocco is a long-standing friend and a country with considerable interest in U.S. trade and investment. Almost half of the 21 million people subsist at poverty levels. Morocco faces an array of serious economic problems. The 1981 drought—the effects of which continue into 1982—severely reduced agricultural production, making it necessary to import 3 million tons of grain and thereby widening the trade deficit to about \$2 billion. The economy is further hampered by the cost of the Sahara conflict, low productivity in agricultural and many public enterprises, almost total dependence on imported energy, a 3 percent population growth rate, and excessive import demands. The Moroccans are presently negotiating a 1-year IMF standby credit and a Compensatory Financing Facility (cereals option) arrangement which would help the ailing economy through its current severe financial squeeze. Morocco will depend heavily on external concessional aid in the next years to help with its domestic problems and to enable it to finance its heavy debt service obligations, presently estimated at more than 30 percent of foreign exchange earnings.

In fiscal year 1983 a total of \$13.5 million in grant Development Assistance funds is requested which will directly address key Moroccan long-term development problems. AID's agricultural program is increasingly focussed on rainfed areas where productivity is low and where most of the rural poor live. Projects in the agriculture sector include cereals production, and applied research, and range management. Our high priority family planning project is showing progress as results of pilot activities are being replicated on an expanded scale in several areas of the country. The health program will include a continuing management improvement activity and a nutrition project which integrates Development Assistance grants with Public Law 480 food resources.

OMAN

For Oman, we are requesting \$5 million in grant and \$10 million in loan Economic Support Funds for the Omani-American Joint Commission, the same level requested for fiscal year 1982. The Joint Commission was established in 1980 as a part of our expanded economic, political, and security relationship with Oman.

Oman, with its current oil revenues, has substantial financial resources; yet it remains a very underdeveloped country. With few national resources other than petroleum and a largely untrained labor force, it faces the challenge of developing an industrial capacity and its modest agricultural and fishery potential to meet the needs of its people as oil revenues diminish. The planned aid programs will assist the process of equitable development in Oman and

provide tangible evidence to the Omani population of the benefits of our broadened relationship. The \$10 million loan is planned for a dam and related facilities to increase the supply of water to the capital city of Muscat.

YEMEN

We are requesting \$27.5 million in Development Assistance grant funds for the Yemen Arab Republic (YAR) in fiscal year 1983. Yemen's geographic location makes the country's stability and prosperity important to its oil producing neighbors and to the United States. The YAR is threatened by a Marxist-led insurgent movement which is supported by the People's Democratic Republic of Yemen and Libya, and indirectly by the Soviets. The United States attaches great importance to the security and independence of the Yemen Arab Republic. We strongly support the right of the Yemeni people to develop their political, economic, and social institutions according to their own wishes and without foreign intervention. The U.S. assistance program by addressing the economic and social causes of instability and poverty, both supports this goal and helps promote U.S. interests in maintaining the stability and security of the region.

While Yemen is a very poor country by usual social-economic indicators, GNP grew explosively through most of the 1970's. However, as remittances peaked and then began to decline, foreign exchange reserves have declined, government deficits have appeared and the balance of payments deficit has worsened dramatically. Given a very meager natural resource base, the YAR's most promising approach to development continues to be the mobilization of the country's human resources for agriculture and other sustainable enterprises.

Our development effort in Yemen focuses on a broadly based program of training and technical assistance to develop human resources and institutional capacities in such key sectors as primary education, agriculture, water resources, and rural development. In implementing this approach we are relying heavily on U.S. universities and private voluntary agencies.

REGIONAL ACTIVITIES

We are requesting \$15 million in Economic Support Funds for fiscal year 1983 to continue our modest development efforts for the West Bank and the Gaza Strip implemented by U.S. voluntary agencies (\$6.5 million), activities to promote cooperation between Israel and its Arab neighbors, especially Egypt (\$8 million), and funds to finance studies and other support which relate to the design, implementation and evaluation of Economic Support Funds in the Near East region (\$500,000). In addition, \$4.4 million in Development Assistance funds is requested for other regional activities; the continuation of a scholarship program for students from the Near East at the American University of Beirut (\$3 million), a new regional population activity project (\$900,000), and project development and support (\$500,000).

For South Asia, we are requesting \$241.8 million in Development Assistance and \$175 million in Economic Support Funds in fiscal year 1983. The Development Assistance include \$87 million for India, \$76 million for Bangladesh, \$40.3 million for Sri Lanka, \$25 million for Pakistan and \$13.5 million for Nepal. The Economic Support Fund request is for Pakistan.

U.S. interests in South Asia are to promote general political and economic stability in the region to enable these less developed countries withstand subversion and outside pressures. The AID programs with their emphasis on helping achieve equitable economic/social growth and the alleviation of poverty are essential elements of this policy.

INDIA

In fiscal year 1983 we are requesting \$87 million in Development Assistance funds, three quarters in 40 year repayable loans. In addition, \$111.4 million is planned under Public Law 480 Title II, for programs of U.S. private and voluntary agencies.

India's position as the major economic and political force in South Asia and a leading spokesman on international economic issues requires an AID program presence as the tangible evidence of direct U.S. commitment to India's growing economy and continuing stability, the conditions necessary for the successful pursuit of U.S. economic and political interests in the region.

India has made significant progress in several social areas. Between 1960 and 1980, the population growth rate was reduced from 2.5 percent to 2.1 percent, the child (1-4 years of age) mortality rate per thousand from 28 to 18, life expectancy increased from 43 years to 57 years, adult literacy from 28 percent to 36 percent and access to a safe water from 17 percent to 33 percent.

Economic progress too began to take form in the mid-1960's as the government abandoned policies which had severely limited growth, e.g., emphasis on the development of heavy industry, the rapid expansion of public investment and inadequate incentives for exports. The switch in policy focus and resources allocation to an AID assisted agricultural growth strategy produced phenomenal results which kept foodgrain production growth at 2.8 percent ahead of the 2.2 percent population growth rate in the 1970's. Wheat production tripled between 1967 and 1979 (from 11.4 million metric tons to 35.5 million metric tons) and India became self-sufficient in foodgrains, its security against droughts, such as occurred in 1979-80 seemingly proven by excellent management of reserves. More improved irrigated area is considered the key variable to both stability in crop production and higher production: Irrigated land has increased from 22.6 million hectares in 1950 to 57 million in 1980. GNP growth in 1980-81 totaled an impressive 6.5 percent. The Indian private sector is vigorous and accounts for 80 percent of the economy's output. Government is supportive of the private sector's growth; recent actions include allowing the private sector to establish new power plants and an increase in the prices of public sector products which improves the private sector's competitive advantage. India's current Five Year Plan continues an agricultural/industrial growth strategy with annual growth targets that are in the realm of possibility. The agricultural strategy is complemented by programs to increase rural employment and incomes and to expand the access of the poor to basic services.

Despite these evidences of general development progress, India's poverty statistics are staggering. An estimated 315 million of its 700 million population live below a nutrition based poverty line. Calorie supplies are still inadequate for per capita needs despite the impressive increases in foodgrain production. Population pressures are intense—one-sixth of the world's population on one-fortieth of its land area. Per capital GNP in 1979 was only \$190. In the past 30 years GNP grew only 1.3 percent per annum on a per capita basis.

AID's program strategy goals are expanded food production and rural employment, increased availability of energy and reduced fertility and mortality. These are areas of priority development need for India where the United States has comparative advantage in certain technical fields. To achieve these goals, AID is concentrating on expanding India's agricultural research capabilities, improving the management of irrigation systems, developing institutions for local management of forest resources, and expanding and improving rural family planning, nutrition and health programs.

In fiscal year 1983 \$87 million in Development Assistance Funds is requested to continue these areas of concentration by improving the efficient use of irrigated water; reducing the ecological drain on natural resources with the development of new forests; producing, in association with a reoriented Title II program, new nutrition interventions for mothers and infants; and supporting India's national family planning through the private sector's production and marketing of family planning supplies.

PAKISTAN

For Pakistan in fiscal year 1983, we are requesting \$175 million under the Economic Support Fund and \$25 million for Development Assistance. In addition, \$53.3 million is planned under Public Law 480—\$50 million for Title III and \$3.4 million for Title II. We are proposing that \$78 million under ESF and \$5 million under Development Assistance be provided as grants (\$83 million). The balance of the ESF (\$97 million) and, Development Assistance (\$20 million) would be provided as loans, repayable in 40 years with a 10-year grace period.

The purpose of providing AID assistance to Pakistan is to help insure the economic and political stability of this strategically important country. A secure and independent Pakistan, with a growing economy and improving living standards is important to resisting Soviet expansionary pressures and to regional stability in South Asia. This interest stems from Pakistan's strategic location on the Eastern flank of the vital Persian Gulf, a "front line state" facing 85,000 Soviet soldiers across its border in Afghanistan.

The economic development relationship, which was renewed with Pakistan in fiscal year 1982 with a \$100 million Economic Support Fund program, provides opportunities to discuss a number of important United States concerns with the Pakistan Government, including the control of narcotics trafficking.

Pakistan's economy remains troubled although macroeconomic performance has been favorable in recent years. During fiscal year 1981 the economy grew by nearly 6 percent, with both industry and agriculture performing well. Overall food deficits remain a problem even though good weather and positive government policies, including encouragement of fertilizer use and appropriate farm-gate prices, have helped produce record wheat harvests in the past 3 years. Food still represents 20 percent of merchandise imports including, \$300 million of vegetable oil imports. Although Pakistan has rapidly expanded investments in oil and gas exploration, the energy crisis has hit Pakistan hard, with energy imports accounting for 40 percent of export earnings. Remittances from workers abroad have helped Pakistan maintain a manageable balance of payments position. However, there are now signs that remittances in fiscal year 1982 will decline for the first time in several years and lead to a worsening in the balance of payments situation.

The Extended Fund Facility Agreement with the International Monetary Fund, and short term debt rescheduling with bilateral donors have permitted official international reserves to be maintained at the equivalent of 2 months of imports. Pakistan is still facing a significant debt service burden which will climb as grace periods expire on loans signed in the 1970's. At the same time Pakistan finds it necessary to undertake a crash program to modernize its defense capabilities. In 1979 defense expenditures had already climbed to 5 percent of gross national product and almost 22 percent of total central government expenditures.

There is also a strong developmental and humanitarian rationale for assistance to Pakistan. This is a poor country burdened by an extremely high population growth rate, suffering low agricultural productivity, suffering meager health services, and lacking an adequate infrastructural base for development. The U.S. assistance program has been designed to address these key economic and development problems with a blend of development and commodity assistance, financed with Economic Support Funds, Development Assistance and Public Law 480 food resources.

AID's fiscal year 1983 program strategy is to concentrate on addressing critical constraints to development. Uppermost among these constraints is the alarmingly high population growth rate of 2.9 percent (1980). In fiscal year 1982, \$4.9 million is requested to continue two projects in this area.

The major focus of AID's program will continue to be on agriculture and rural development. The \$164.1 million requested for this section will support new and continuing efforts in irrigation and water management, agriculture research, oil seed production, distribution and storage, rural energy development, education and extension and for the importation of vital agricultural commodities and equipment.

The remaining \$21.5 million requested will be used to continue support for training, tribal area development and project design; in addition there will be two new projects introduced into the program—a project to help mobilize private sector development efforts and another project to assist the Pakistan Government in the critical area of energy planning.

During the past 6 months, AID has also had extensive discussions with Pakistani officials in Islamabad in order to impress on them the seriousness with which the United States views the narcotics problem in Pakistan. This campaign has met with success. The GOP provided us recently with an "opium poppy" letter declaring their intentions to cooperate fully in the resolution of this important problem.

We are also collaborating with the State Departments' Narcotics Office in its Malakand Agency Development project, to the extent of providing technical assistance, and additional funding for the project in fiscal year 1983, and beyond, provided this approach proves viable.

BANGLADESH

In fiscal year 1983 we are requesting \$76 million in grant Development Assistance, of which almost 70 percent is planned for agriculture and rural development. In addition, we are requesting \$60 million for Title I (of which \$55 million is for Title III), and \$20.5 million for Title II, for U.S. voluntary agency programs.

Bangladesh is one of the poorest countries in the world with a per capita income of about \$90, a population growing at 2.5 percent per year, with a population density of 1,600 people per square mile.

Fiscal year 1982 has, to date, not been a good year for Bangladesh. Foodgrain production, which reached a peak of 14.7 million metric tons in fiscal year 1981, is expected to fall to less than 14 million metric tons in fiscal year 1982 due to the drought as compared to a target of 17 million tons. The output of jute also declined during this period. As a result of this decline in foodgrain production, closing stocks are estimated at only 772,000 tons in fiscal year 1982. It is estimated by the IBRD that an additional 500,000 metric tons of foodgrain are required to avoid public foodgrain stocks from falling to uncomfortably low levels.

In the fiscal arena, the government's development budget depends heavily on foreign resources. During the past few years, foreign resources averaged about 70 percent of the country's development budget. In the trade sector, Bangladesh is facing a serious problem due in part to a poor export performance (jute export prices fell while prices of major imports continued to rise) and a continuing large import bill. In fiscal year 1983, it is estimated that export earnings will represent only about one-third of the import bill, while foreign assistance (which from fiscal year 1975 to fiscal year 1979 accounted for about 60 percent of imports) will amount to about 50 percent. Bangladesh's reserves are now equal to less than one month of its imports. There are a number of policy and strategy arrangements that the government must put into effect and these will be discussed at a forthcoming (April 20-22) Consultative Group Meeting.

AID's development strategy is directed toward alleviation of the constraints to development. It contains four basic objectives: (1) reduce human fertility; (2) increase foodgrain production; (3) expand rural employment opportunities and (4) develop rural energy resources that are critical to the growth of agriculture and rural industries.

In fiscal year 1983, it is proposed that \$21.4 million will be utilized for the Family Planning project. This will provide contraceptive services through both government and non-government activities; attention will be given to information and educational campaigns aimed at increasing public awareness of, and interest in, family planning. Bangladesh does not have a resource base sufficient to deal with a population that is growing at a rate of 2.5 percent per year. The agricultural and rural development programs (\$51.4 million) are aimed at increasing agricultural production and productivity so as to reduce the cost of relying on food imports and permit the government to maintain foodgrain stock levels that would be sufficient to deal with regular demand requirements and sudden droughts. This is done through programs that promote greater private sector participation in the supply and distribution of fertilizer and other inputs, increase access to credit, expand irrigation and seek more rational foodgrain policies.

In order to deal with the serious under and unemployment problem and provide income to the rural population, the Rural Industries project and the Food for Work project will continue to develop off-farm employment opportunities. Finally, in fiscal year 1983, the Rural Electrification project will continue to reduce Bangladesh's imported fuel requirements for irrigation as well as provide power for new private sector rural industries.

SRI LANKA

For Sri Lanka, we are requesting \$40.3 million in Development Assistance funds, \$25 million for a Housing Investment Guarantee and \$30.8 million in Public Law 480 assistance (\$25 million for Title I and \$5.8 million for Title II). U.S. interests are primarily to support a viable, independent, and democratic Sri Lanka. Sri Lanka is a constitutional democracy governed through a multi-party national parliament, has a president elected by the people, and an independent judiciary system. The country has a strong record of free elections, human rights and social equity. Sri Lanka plays a moderating role in the non-aligned movements, keeps its ports open to the navies of all nations, and is active in international forums in a responsive way.

U.S. interest in Sri Lanka is also reflected in the increasing trade between the two countries. The United States is now Sri Lanka's first export market and eighth largest source of imports. As a result of the GSL's economic reforms and private sector incentives, U.S. investment in Sri Lanka has risen

from \$500,000 in 1978 to an estimated \$6 million in 1980. A pending additional U.S. investment of \$22 million in the Free Trade Zone will make the United States one of the largest foreign investors in Sri Lanka.

The Government has made progress over the past 4 years in establishing policies and programs necessary for economic growth. However, this successful effort inevitably produced significant dislocations within the economy. While GNP growth over 1973-1980 averaged 6.6 percent per year and unemployment dropped to 12.8 percent, inflation accelerated to an annual rate of about 30 percent. The current account deficit in the balance of payments reached \$805 million. The major cause of the deterioration in the current account was the large increase in imports, including crude oil for which prices doubled in early 1980. Against a background of uncertain world economic conditions and deteriorating terms of trade, the GSL, with encouragement from the donor community, has rephased and reduced its ambitious development program. These efforts which have resulted in a reversal of the economic deterioration in 1980, represent a substantial adjustment to worsened world market conditions.

Sri Lanka is now facing the possibility of a serious and prolonged drought. There has been a major shortfall in the food crop from the main planting season and within a few months the impact of the drought on the secondary planting season will be known. While the full impact of this drought cannot yet be determined, it is clear that there will be large additional strains on the balance of payments as import requirements rise and on the budget as drought relief efforts are expanded to meet the immediate requirements for food.

The Development Assistance funds requested for fiscal year 1983 will emphasize increasing food production, rural incomes and employment through participation in the Mahaweli development program, more effective management of irrigated water supplies, and protection of the environment with reforestation programs.

NEPAL

Nepal is one of the world's poorest countries, with a population of 14.5 million people, growing at a rate of 2.4 percent per year. It is almost totally dependent on agriculture and has a per capita GNP of about \$130. In fiscal year 1983, our request for Nepal is \$13.5 million, of which two-thirds is allocated to agriculture and rural development and the remainder is almost equally divided between population planning and health.

Nepal has concentrated on infrastructure primarily since it opened itself to the world only 30 years ago. However, the Sixth Five Year Plan (1980-85) gives priority to agriculture, particularly in the Hills area where the bulk of the population lives and where the economic position of the population is much worse than the national average.

In the health sector, AID is concentrating upon establishing an operational delivery system throughout the country. The fiscal year 1983 request for \$4.8 million will emphasize program management, logistics, training and community development. In rural area development (\$4.3 million) we are working on appropriate agricultural technologies, availability of agricultural credit, livestock development, cottage industries, etc. The natural resource component of the program (\$4.8 million) deals with the issue of restraining environmental degradation caused by the increasing need for arable land, fuelwood and fodder. The project will protect two watershed areas from further environmental degradation.

SUMMARY REQUEST FOR FISCAL YEAR 1983 NEAR EAST AND SOUTH ASIA

[In millions of dollars]

	Development assistance	Economic support fund	Public Law 480 titles I and II
Near East:			
Egypt.....		750	271.3
Israel.....		785	
Jordan.....		20	
Lebanon.....		8	
Morocco.....	13.5	15	39.2
Oman.....			11.9
Tunisia.....		15	2.1
Regional.....	4.4		
Subtotal.....	45.4	1,593	325.3

SUMMARY REQUEST FOR FISCAL YEAR 1983 NEAR EAST AND SOUTH ASIA—Continued

[In millions of dollars]

	Development assistance	Economic support fund	Public Law 480 titles I and II
South Asia:			
Bangladesh.....	76.0		84.6
India.....	87.0		123.4
Nepal.....	13.5		1.0
Pakistan.....	25.0	175	53.4
Sri Lanka.....	40.3		30.8
Subtotal.....	241.8	175	233.2
Total.....	287.2	1,768	618.5

Senator BOSCHWITZ. Thank you very much, Mr. Wheeler.

Senator Sarbanes had some other commitments, so he is going to proceed with the questioning.

Senator SARBANES. Thank you, Mr. Chairman. I hope I will be able to get back, but there are a couple of lines of questioning I want to follow before I must leave.

Gentlemen, I must say I am perplexed by this testimony. I do not understand why the 1983 authorization which is already law is in effect completely ignored by the presentation.

Secretary VELIOTES, as I followed your statement and the figures—and correct me if I'm wrong—I find that you are not talking about what is needed additionally or differently from the existing authorization for fiscal year 1983 assistance. You are simply starting from, as it were, a base zero and laying out the entire amounts; is that correct?

Ambassador VELIOTES. Sir, I meant to do both, and I am sorry if I did not focus sufficiently on the increases that are required. Would you like me to say a few words on the increases in 1983 over 1982?

Senator SARBANES. Where is it in the statement? Where in the statement is that done?

Ambassador VELIOTES. If it is not in the statement sufficiently, sir, may I comment on that?

Senator SARBANES. I really want to find it in the statement first. Then I would be happy to hear your comments.

Ambassador VELIOTES. If it is not in the statement sufficiently, sir, we will submit an additional comment for the record.

Sir, we had put it into the section regarding specific countries, I believe, or some of the countries, and we did not sufficiently break that out in my statement, and I apologize for that.

Senator SARBANES. Let's take it by countries. Where in the countries? In your prepared statement you talk generally about rights, a good part of those figures has already been authorized by the Congress, has it not?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. Where in your prepared statement is there any discussion of a different figure or the difference between what has been authorized and what the administration is seeking?

Ambassador VELIOTES. It is not there, sir.

Senator SARBANES. All right, let us take the countries now. Is it in the country-by-country analysis?

Ambassador VELIOTES. In Pakistan it is. In too many of the others it is not. We are prepared to comment on this in as much detail as you would prefer.

Senator SARBANES. It seems to me, Mr. Chairman, that we ought to ask the Department to make a submission to the committee which proceeds from a baseline of the 1983 authorization already enacted into law. The focus, therefore, of the Department's presentation should be on what it seeks either additionally or differently from the action the Congress already has taken.

I assume that if you were not seeking some changes, there would almost be no need for this hearing. You would come in and say we would like to sketch out for you what our plans are going to be, but essentially the 1983 authorization passed by the Congress provides us with the authority that we need in order to carry out our programs.

Would that not be correct?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. The reason for coming and making a presentation is that in some instances you want to proceed differently from what was authorized for 1983. I am not faulting you for wanting to do it differently. Conditions or circumstances may have changed. You may have a different evaluation of certain needs than the Congress had at the time it approved the 1983 authorization. But it seems to me that the focus of our attention ought to be on those changes. Neither in the general or the country-by-country presentation of figures, many and most of which have already been authorized, is not the case.

I am perplexed as to why the presentation was made in this way. Is there some explanation that I am not perceiving?

Ambassador VELIOTES. No, sir. The overall statement was designed to be a comprehensive treatment, and we were prepared to discuss the changes from 1982 in the budget request in our oral statement.

I can begin this right now, and my colleagues will support me. We will also submit to the committee a written addendum to my statement which will also make this clear. Would that be all right?

Senator SARBANES. Mr. Chairman, it would be very helpful to receive a thorough and comprehensive written statement which starts from the baseline of the 1983 authorization and then focuses on what changes, additions, or modifications the Department is seeking. That seems to me where the focus of our attention will have to be. If that could be submitted, it obviously would be very helpful to our deliberations.

Could that be forthcoming fairly promptly, do you think, Mr. Secretary?

Ambassador VELIOTES. Yes, sir. It is a presentational problem, not a factual problem, sir.

[The information referred to follows:]

SUPPLEMENT TO STATEMENT BY HON. NICHOLAS A. VELIOTES

Mr. Chairman, members of the committee: My statement has concentrated mainly on the total levels we are requesting for fiscal year 1983 as Congress, in considering foreign assistance appropriations legislation, should first be aware of these totals. I shall now address the differences between program levels for fiscal year 1982 and those proposed for fiscal year 1983 and the changes we are requesting from those which Congress has already authorized.

We appreciate that Congress has passed an authorization bill for fiscal year 1983 which goes a long way toward meeting our basic foreign policy objectives in the region. However, the requested foreign assistance appropriations are the minimum levels essential to meet all the priorities I have outlined in my statement. Recognizing that this is a period of budget stringency, we have made every

effort to stay within the amounts already authorized. Nevertheless, we must also respond to the threats to friendly states in the NEA area which could have a direct impact on our own safety and well-being.

The major increases we feel necessary are:

Development Assistance: \$12.3 million.

FMS: \$1,143 million, of which \$863 million would be guaranteed loans and \$280 million direct credits;

ESF: \$81 million for NEA countries other than Israel and Egypt. As you know, the requested levels for Israel and Egypt in fiscal years 1981, 1982, and 1983 have been \$785 million and \$750 million, respectively. However, the fiscal year 1982 appropriation was \$21 million above this figure for each country in order to pay back the funds taken for El Salvador. Thus, the net requested increase for all NEA countries in fiscal year 1983 is \$39 million above the total fiscal year 1982 level.

In every case the programs we are proposing have been carefully weighed and debated. Without these proposed increases:

We risk setbacks in our Middle East peace efforts;

We risk the loss of military access vital to projecting a U.S. presence into the Indian Ocean/Persian Gulf region;

We risk the loss of ability by our regional friends and allies to resist Soviet and Soviet-supported challenges to peace and stability.

Our proposed increases reflect the realities of our foreign policy and national security objectives in a region where our friends are confronted by a variety of instabilities, Libyan agitation, the threat of Soviet aggression, and the destabilizing effects of the Arab-Israeli conflict and the Iran-Iraq war.

Our continuing support for the peace process has had a major impact on assistance levels. Israel and Egypt together account for a \$700 million increase in FMS levels over this period.

This is also the period in which we are proposing to initiate our program for Pakistan which accounts for another \$275 million increase in FMS.

There are also some decreases. Our Public Law 480 title I/III program is down by \$22.6 million from the fiscal year 1982 level. This reflects primarily a decline in the program for Egypt.

MIDDLE EAST PEACE

Countries awarded the highest priority are those central to achieving peace in the Middle East, and I shall deal with these first

Israel

FMS is increased by \$300 million. Congress placed a floor under the amount of FMS for Israel in fiscal year 1983 by authorizing that "not less than \$1,400,000,000 for the fiscal year 1983 shall be available only for Israel," and the increase over the fiscal year 1982 level is a manifestation of our commitment to Israel to maintain its qualitative edge in military capability in the region. This is a fulfillment of our abiding commitment to Israel's security in the evolving regional context.

Egypt

The increase of \$400 million in FMS is essential to maintain the effort, now well underway, to replace a portion of Egypt's aging and deteriorating Soviet military inventory with modern equipment fully capable of providing a credible counter to the growing Libyan threat, as well as to help its neighbors resist threats to their security. The increased assistance is necessary both to meet follow-on payments for purchases made over the past 2 years and to make possible the initiation this year of the new tank (M60A3) and aircraft (F-16) orders which have been submitted to the Congress for review. The combination of these new acquisitions and past orders will totally commit the \$1.3 billion level proposed for fiscal year 1983.

Jordan

ESF is increased by \$5 million and FMS by \$25 million in fiscal year 1983. The added ESF will help finance technical training of key government officials and assist in establishing a national water authority. The increased FMS funding will assist the military modernization program aimed at deterring external aggression and threats to Jordan's security.

Lebanon

Small increases in our proposed program, ESF \$2 million, FMS \$5 million, as already noted in my statement, reflect our continued desire to see the Lebanese

Government develop the capability to reduce and eventually eliminate civil conflict and to restore essential public services as well as meet the need of those adversely affected by the internal strife. The additional funds are important both to the success of this effort and as demonstration of our confidence in and support for the Government of Lebanon.

Regional

We are asking a \$.9 million increase in development assistance and \$4 million in ESF to bolster scholarship programs for the American University in Beirut, finance private voluntary organizations in West Bank and Gaza and promote additional scientific cooperation between Israel and Egypt in pursuit of the Camp David peace process.

SOUTHWEST ASIA

Another very high priority for security assistance are those countries in strategic, energy rich Southwest Asia.

Pakistan

We are requesting \$275 million for an essential new FMS program. Congress has already authorized security assistance to help assist Pakistan in dealing with the threat to its security posed by the Soviet presence in Afghanistan. The administration has undertaken to provide a mix of \$3.2 billion in ESF and FMS credits to Pakistan over the 5 years beginning in fiscal year 1983. Pakistan understands that this assistance is dependent on annual congressional approval of our request for funds.

As for ESF and development assistance for Pakistan, the administration had already developed the budget request of \$75 million DA and \$125 million ESF for Pakistan for fiscal year 1983 when, in authorizing these funds, Congress allocated the entire amount, \$200 million, under ESF. This placed great strain on the availability of ESF funds for other essential programs. We have made a major effort to comply with the wishes of Congress. However, given the other priorities we face, the stringency of our budget requests and the fact that much of what we are proposing to do in Pakistan over the long term is best suited for development assistance funding, we did allocate \$25 million in development assistance and \$175 million in ESF. This is still in keeping with the \$200 million Congress authorized for economic assistance for that country.

Yemen

The \$4 million increase proposed in FMS restores the original amount requested for fiscal year 1982, and will provide critical additional training in the operation and maintenance of U.S. equipment previously supplied Yemen with Saudi Arabian financing. A \$2.6 million increase in development assistance will bolster and permit full implementation of ongoing education and agricultural development projects. A successful development effort is essential to the ability of the Government to deal with the political, social, and economic circumstances which lend support to the National Democratic Front (NDF) insurgent movement.

Oman

The \$10 million additional FMS requested for Oman would finance additional equipment purchases such as transport aircraft, laser guided munitions, and transport helicopters. Due to Oman's difficult security situation, with Soviet-backed South Yemen and radical Iran nearby and considering our substantial investment in improvements to Omani military facilities it is important that the Omani military receive badly needed modern equipment as rapidly as possible.

STRATEGIC COUNTRIES IN NORTH AFRICA

Morocco

The major portion of our requested FMS increase from \$30 million to \$100 million would further finance servicing of previously supplied U.S. weapons systems. It will also be used to finance the purchase of new systems such as electronic countermeasures equipment, night vision systems, and ground sensors. Without the requested increase, Morocco would have to forgo the acquisition of the largest share of these new systems. We are also requesting an increase of

\$2.9 million in development assistance for Morocco to bolster our programs in agricultural development and family planning.

Tunisia

We have asked for an increase in the FMS program level from \$85 million to \$140 million primarily to fund F-5 aircraft, M60 Tanks, and Chaparral missiles, most of which could not be financed without the requested increase. In the years beyond fiscal year 1983 the need for U.S. FMS assistance to Tunisia should steadily diminish.

Congress also authorized \$5 million in ESF for Tunisia in fiscal year 1983 which we are not requesting because we believe the Tunisian economic program can best be funded with Public Law 480 for which we proposed \$10 million, or double the congressional mark within ESF. Our economic program is part of a bridging effort in a country which has made good economic progress and "graduated" from the development assistance category. We believe that program best serves Tunisia's present needs and our own interests in the area.

SOUTH ASIA

In South Asia we have made minor downward adjustments in development assistance levels in our requests for India, Bangladesh, Nepal, and Sri Lanka. Our relations with these countries remain good, and we are committed to assisting their development efforts. We do not believe these adjustments will substantially affect our program efforts in these very poor and needy countries. In addition, there is no FMS request for Sri Lanka, for which there was a one-time FMS credit for \$2 million in fiscal year 1982. We expect the Government of Sri Lanka to bear all follow-on costs for the training vessel provided by the 1982 FMS assistance.

TERMS AND GRANT/LOAN RATIOS

There are some differences between the terms Congress authorized for Egypt and Israel and those the administration is proposing. The proposed increase of \$200 million in the portion of Egypt's FMS credits that would be forgiven reflects both the increase in the overall program level and the continuing need to avoid increasing the burden of that program on Egypt. The Congress responded favorably to the need outlined last year to structure the Egyptian program in a manner consistent with the state of Egypt's economy. We believe that effort must continue. Egypt remains a poor country with a 1981 per capita income of \$490 and a population of nearly 43 million. It has many demands on its existing resources, and we have a major commitment to help Egypt with its economic development. To the extent that we can relieve a portion of the burden of meeting its urgently needed military requirements, we clearly will further our mutual efforts to deal effectively with Egypt's development priorities.

We have also asked that the forgiven portion of FMS credits for Israel be reduced by \$50 million from that authorized by Congress. The \$500 million in FMS direct credits requested for fiscal year 1983 is consistent with the forgiven/guaranteed loan formula applied to Israel's FMS base level of \$1.4 billion in our fiscal year 1981 and fiscal year 1982 budget proposals, and with our on-going budget planning. While fully aware of the congressional authorization of \$550 million FMS direct credit for Israel for fiscal year 1983, we determined it was appropriate to propose the \$500 million level given our own overall budgetary constraints, the pressures on worldwide availability of FMS direct credits, and the additional \$300 million in guaranteed loans proposed for Israel.

Congress authorized all grants for fiscal year 1983 ESF for Israel and Egypt reflecting concerns about their heavy external debt burdens. However, we believe that with sound economic management both governments should be able to service these debts. We therefore are proposing the two-thirds grant, one-third loan formula that we have consistently requested.

SUMMARY

We believe that all of the above proposals for increases in fiscal year 1983 assistance levels are necessary and directly relevant to our major interests in this critical part of the world in assisting friendly strategic countries to build the defense capability and economic strength necessary to resist Soviet pressures and radical regional threats. The attached table compares the assistance levels of fiscal year 1982 with those requested for fiscal year 1983 for NEA countries.

ECONOMIC/MILITARY ASSISTANCE TO NEA COUNTRIES, FISCAL YEAR 1982 AND FISCAL YEAR 1983 (REQUESTED)

Country:	Development assistance		Public Law 480 (title I/III)		Public Law 480 (title II) ¹		Economic support fund		FMS		IMET	
	Fiscal year 1982	Fiscal year 1983	Fiscal year 1982	Fiscal year 1983	Fiscal year 1982	Fiscal year 1983	Fiscal year 1982	Fiscal year 1983	1982	1983	1982	1983
Bangladesh.....	79.4	76.0	55.0	60	12.0	24.6	2771	750	900	1,300	0.175	0.225
Egypt.....			275.0	250	17.7	9.9					2.0	2.0
India.....	94.4	87.0			120.3	111.5					.08	.2
Israel.....					.5	.15	2806	785	1,400	1,700		
Jordan.....							15	20	50	75	1.325	2.0
Lebanon.....							6	8	10	15	1.1	1.6
Morocco.....	10.6	13.5	30.0	25	11.5	10.5			30	100	.075	.075
Nepal.....	14.1	13.5									.1	.1
Oman.....							15	15	30	40	.6	.8
Pakistan.....		25.0	50.0	50			100	175		275	1	1.5
Sri Lanka.....	48.0	40.3	22.6	25	6.3	5.8			2		1.0	1.7
Tunisia.....			10.0	10	2.5	1.8	5		85	140	1.2	1.5
Yemen AR.....	24.9	27.5							11	15		
Regional.....	3.5	4.4	3.4			3.4						

¹ Includes \$1,000,000 grant, the rest guaranteed loan.² Does not include world food program donations.³ Includes \$21,000,000 repaid from El Salvador fund.

Senator SARBANES. Did you want to sketch it out now for us?

Ambassador VELIOTES. Well, I believe I can make a few comments that will be responsive to the very valid concerns that you raised, Senator Sarbanes, and then my colleagues may wish to add something. And then we can set that new data base and then proceed to individual questioning if that would be acceptable.

Senator SARBANES. I think we do need it, though, in a comprehensive, organized written form.

Ambassador VELIOTES. This is not to substitute for that. I will submit an addendum to my statement that will have that information, and we will do it very quickly.

Senator SARBANES. I am really almost asking you for a new statement, put together on a different premise from what I perceive the premise of this statement to be.

Ambassador VELIOTES. That's fine. We will do that, sir.

The major increases we feel necessary are in FMS, a total of \$1.144 billion, of which \$864 million would be guaranteed loans, and \$280 million in direct credits or forgiven loans. Of this amount, \$300 million would be guaranteed credits to help Israel maintain its qualitative edge in fulfillment of our abiding commitment to Israel's security. This would be \$300 million in FMS in addition to the \$1.4 billion of last year for a new total of \$1.7 billion.

The requested FMS \$400 million increase would be to assist Egypt, our other partner in the Middle East peace process. This would be up from the \$900 million of last year, and this would include an additional \$200 million in forgiven credits for a new total of \$1.2 billion FMS with a forgiven credit component of \$400 million.

In FMS \$275 million would be for the first stage of our proposed programs to assist Pakistan to resist Soviet pressures through Afghanistan. A combination of \$125 million in FMS would be for increased assistance to Morocco and Tunisia.

Now, that is the foreign military additives, fiscal year 1983 over fiscal year 1982. We are requesting an \$82 million increase total in economic support funds, of which \$75 million would go to Pakistan, to bring the total for that country to \$175 million.

For all of the NEA countries we are requesting a net increase of \$12 million in development assistance. This reflects adjustments in the levels of Morocco, Yemen, India, Bangladesh, Sri Lanka.

Those are the gross totals.

Senator SARBANES. Mr. Secretary, let me to try to sketch out what I would like to get in this addendum, so let me pursue a line of questioning that is country-specific. Let us begin with Israel and Egypt.

What is the authorization you now have for fiscal 1983 for Israel?

Ambassador VELIOTES. We have \$1.4 billion in FMS—\$785 million in economic support funds. We are requesting a \$300 million increase in foreign military sales for Israel in the appropriations and authorization of fiscal year 1983.

Senator SARBANES. Of FMS?

Ambassador VELIOTES. Yes. Of FMS.

Senator SARBANES. So you want to take it up from \$1.4 billion to \$1.7 billion.

Ambassador VELIOTES. Right.

Senator SARBANES. What about on the economic support fund?

Ambassador VELIOTES. The economic support funds for Israel are \$785 million which are essentially the same. I believe in 1982 we had a repayment of a loan of funds provided to El Salvador.

Senator SARBANES. I take it you regard this as an increase in the amount of U.S. assistance to Israel to address certain problems; is that correct?

Ambassador VELIOTES. In the availability of increased foreign military credits, yes, sir.

Senator SARBANES. If I were to ask the more general question as to whether an effort is being made to be of some additional help to Israel—and I will address the same question to Egypt in a moment—given their economic pressures and other pressures which they face, would you say that yes, an effort is being made?

Ambassador VELIOTES. I would say yes, that the proposals that we are making we believe represent a sincere effort within the context of the budgetary constraints that we all must live with.

Senator SARBANES. Let me ask you about the terms of the assistance in each of these categories. Shifting for the moment from the overall figure to the terms upon which those figures are being made available, what is the nature of the 1983 authorization, which is now the law for the economic support fund?

Ambassador VELIOTES. The 1983 authorization provides for it all to be grant.

Senator SARBANES. The \$785 million?

Ambassador VELIOTES. Yes.

Senator SARBANES. All grant. That is your existing authority, is that correct?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. Now, what is your proposal?

Ambassador VELIOTES. Two-thirds grant, one-third loan.

Senator SARBANES. So you propose to take \$260 million of the grant ESF assistance already authorized by the Congress and now the law and change it from grant to loan; is that correct?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. What are the terms of that loan?

Ambassador VELIOTES. I believe there is a 10-year grace period on the payment of principal, and I believe a 2 percent interest during that 10-year period, and then a 30-year repayment period at 3 percent on interest and principal.

Mr. WHEELER. [Nods affirmatively.]

Senator SARBANES. Now, on the FMS, let me be sure that I understand this. On the economic support fund, while you now have the authority to make \$785 million available in economic support on a grant basis, you propose to move a third of it, or \$260 million, from grant to loan, is that correct?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. All right. Let's address the FMS. On the FMS, I take it, you are proposing to increase it from \$1.4 billion to \$1.7 billion; is that correct?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. What are the terms of the \$1.4 billion that is already authorized for fiscal 1983? The Congress gave you a 2-year authorization.

Ambassador VELIOTES. That is right. The \$500 million forgiven, which is the equivalent of a grant.

Senator SARBANES. For fiscal 1983?

Ambassador VELIOTES. Yes, sir. There are two parts to the Israeli FMS program. The first part is a forgiveness portion and the second part—

Senator SARBANES. That figure was \$550 million, as I recall, is that not correct?

Ambassador VELIOTES. The authorization is \$550 million. The administration's budget requests \$500 million.

Senator SARBANES. I am addressing for the moment the authorization, that is, the law, the authority that you have. The authority was for \$1.4 billion in FMS.

Ambassador VELIOTES. \$1.4 billion in FMS with \$550 million forgiveness.

Senator SARBANES. \$550 million. That's what I thought. Now, what is it that you propose in the FMS area?

Ambassador VELIOTES. We propose \$1.7 billion FMS, \$500 million forgiveness.

Senator SARBANES. So you propose to increase the amount of the FMS by \$300 million but to reduce the amount of the forgiveness by \$50 million, is that correct?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. I have difficulty seeing the terms in which this aid is being proposed, accepting your proposition that it represents an effort to provide additional support or assistance. It really seems to reflect a substantial shift in the nature of the terms, away from grant into terms that will impose an additional economic burden.

If you didn't have a 1983 authorization and were coming in with a submission, that would be one situation. I don't understand, given that you have a 1983 authorization, that the Congress has made a judgment, that that judgment has been signed into law by the President, why you now propose to recede in a significant way from the grant portion of the ESF, and at the same time that you are providing additional FMS also recede from the forgiveness portion of the FMS.

Ambassador VELIOTES. The only answer I can give, sir, is that we were trying to balance all of the requirements of our programs with a focus on the requirements of our Israeli program against the general budgetary problems facing the government. This led us to make certain recommendations this year for funding of the Israeli program in the manner in which you have before you.

Senator SARBANES. Is it correct that the debt service paid by Israel to the United States will in fact exceed the amount of the ESF assistance being provided to Israel?

Ambassador VELIOTES. I am told yes, by a slight amount.

Senator SARBANES. So, in the case of the ESF assistance, leaving aside for the moment whether it is grant or grant and loan combined—if it is loan, you are just creating a further burden at some point along the line—the repayment currently exceeds that support assistance.

Mr. Secretary, I do not want to belabor the point, but this analysis underscores the importance of your taking the 1983 authorization as a working point and then addressing what needs additionally to be done. In this area it seems to me that the ESF has been settled. You don't propose to change the overall figure. You have the \$785 million authorization for fiscal 1983. A judgment was made on what its terms should be—grant—and that should be set in place.

These foreign assistance bills are difficult enough to pass in any event. Why we want to raise issues that have already been settled, and seem to have been settled reasonably, I don't know. On the FMS it seems to me that the only question is the proposal for an additional \$300 million and the terms on which that \$300 million would be made available—what part of it would be forgiven and what part of it would not be forgiven. You would start with the \$1.4 billion and the \$550 million, and add the \$300 million and look to see how much of that \$300 million you would seek to forgive.

If you forgave it all, you would get back to the 50/50 allocation which has been a benchmark the Congress and administrations have tended to follow in the past, although that has been departed from, I do understand.

We need next to go through the Egyptian presentation. First I think we need a presentation that takes the 1983 authorization as representing some kind of accomplished decisions. You have not changed the ESF already agreed upon. The figures are there. The terms are there. I do not see why, now, that issue is being opened up again. It is settled business.

In the FMS it seems to me the only unsettled business in this instance is the request for the additional \$300 million and the terms upon which that \$300 million would be made available.

Mr. Chairman, I fear I am trespassing upon your time.

Senator BOSCHWITZ. That is all right, Senator. I will just add to that, Mr. Ambassador, that you have made no change in budgetary impact by changing a third of the ESF funds from grant to concessional type of loans. So this makes that more difficult to understand, particularly in view of the 1983 authorization that was passed with some difficulty here in the Senate and in the House.

Pardon me, Senator. Why do you not proceed.

Senator SARBANES. Well, could we go through the same exercise with respect to Egypt?

Ambassador VELIOTES. Yes, sir. On the FMS with Egypt for fiscal year 1982 it is \$900 million, with \$200 million forgiveness.

Senator SARBANES. Let us do the ESF first, if we could.

Ambassador VELIOTES. Fine. The ESF is \$750 million, which is the same as fiscal year 1982. And the terms were as proposed, the same as those proposed for Israel, two-thirds grant, one-third concessional loans.

Senator SARBANES. That is a departure from the terms that the Congress approved in the 1983 authorization, is it not?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. We approved \$750 million in ESF for Egypt, and we made it all grants. You propose to keep the same figure but, in effect, to reopen the grant-loan question to the extent of \$250 million; is that correct?

Ambassador VELIOTES. That is correct, sir.

Senator SARBANES. Well, I make the same observation that I made previously. I do not see why we are reopening that issue. It is settled business. You have been given an authorization, unless you can make some very strong case that the economies of these two countries are so strong in terms of the burdens that they have to carry and so forth.

I do not think that case is there to be made in either instance, for different reasons. The Israeli economy is stronger, but the pressures are greater. Regarding the Egyptian economy, we are trying to provide them significant momentum to move forward.

On the FMS, what do you propose to do? What is the 1983 authorization?

Ambassador VELIOTES. \$900 million, of which \$200 million is forgiven. We are proposing \$1.3 billion, an increase of \$400 million, and of that \$400 million increase, \$200 million of that also to be forgiven.

Senator SARBANES. So you are increasing the FMS for Egypt by \$400 million?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. Or you are requesting that amount over what was authorized, and you are making half of that addition of the FMS forgiven.

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. In the case of Israel, you are increasing the authorization by \$300 million, making none of the addition forgiven and, in fact, seeking to rescind \$50 million of the forgiven in the already authorized amount; is that correct?

Ambassador VELIOTES. That is correct, sir. I should note, though, that the Israeli amount of \$500 million is certainly in excess of what we were proposing for the Egyptians.

Senator SARBANES. Do you mean contrasted with the \$400 million?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. Out of \$1.3 billion as opposed to \$500 million out of \$1.7 billion?

Ambassador VELIOTES. Right.

Senator SARBANES. In the FMS for Egypt you are not, in effect, rescinding a prior decision, as you are in the FMS for Israel. You are proposing to add more, and you are proposing certain terms for the addition.

In the Israeli instance, you are proposing to add more to the additional amount, and you are altering the terms of the already authorized amounts. Is that correct? That is correct, is it not?

Ambassador VELIOTES. Yes, sir.

Senator SARBANES. These are the kinds of questions that I think need to be addressed in the addendum, or further statement that you will submit. I think that submission ought to work from the premise that the decisions have been made. Really, they are decisions that are very helpful to the Department. That is why I said at the beginning that I was so perplexed. It seems to me that from your point of view it is a rather enviable situation to have a fiscal year 1983 authorization so you are not coming to the Congress, as it were, starting from scratch. A good part of the job has been finished.

You ought to take those decisions and use them as your working base,

and then simply present to us how you propose to move from that baseline. If you want to reopen previous terms, we can look at that. But, of course, we may look at them in a different perspective than you want us to look at them. You will probably be better off just to accept them as given and pose these more limited questions.

You do not want to get into an entire foreign assistance authorization fight again in the Congress for fiscal year 1983, do you? You are not seeking that, I hope.

Ambassador YELIOTES. Certainly not, sir.

Senator SARBANES. I am concerned about the Egyptian pipeline money. Senator Boschwitz and I in a previous hearing have addressed that rather urgently. I recall a hearing when President Sadat was still alive where we underscored the importance of providing stability for that regime and therefore furthering the peace process, that the pipeline money move.

I notice, Mr. Wheeler, that you have some encouraging things to say, but I was not sure, in specifics or relative terms or percentages, how encouraging it was. Obviously, your statement indicates there has been an improvement. How substantial or significant is the improvement?

Mr. WHEELER. Senator, historically, the money of a commodity nature—that is, under a commodity import program and under Public Law 480—has always moved very quickly. The issue has been how fast disbursements would take place in connection with these major projects in which we have engaged, such as cement plants, port facilities, grain storage facilities, the electricity generating plants and so forth.

What we have in fiscal year 1981 is about a 75-percent increase in the expenditure rate against the project portfolio, which brought it up to about \$350 million. What we are hoping is that in fiscal year 1982 this project portfolio expenditure rate would get close to half a billion dollars. If that happens and if there is a steady disbursement rate on the commodity assistance, then we should be able to have disbursements about the same as the level of obligation.

Now, when we talk about the project pipeline, I think we have to divide that into two categories: Projects which are moving well, and projects which are behind schedule. I think that we have both. Some of the projects are as much as 2 years behind. These are the areas where we think the most management focus is needed.

We have been engaging the Egyptians on this question. We were very pleased a year ago after the S-1 meeting on January 20, 1981. They established in their Ministry of National Economy a place we could go, in effect, to get follow-up with the various ministries and to get decisions made that were being delayed.

We feel that the Egyptians have made progress on their side, and we certainly have tried to make progress on our side in order to put more management attention to the specific projects where delays have been taking place. I suppose in any big project you expect some delay. I ride past Route 66, which is now behind schedule. But I think that the delays we are having in Egypt can be considered to be tolerable in most ways. And we are working on those behind-schedule projects.

Senator SARBANES. Thank you.

Ambassador Veliotes, if the Congress made the judgment that the additional proposed FMS ought to be made more on a forgiveness

basis than in loan terms, that would not create any problems for the administration, would it?

Ambassador VELIOTES. Senator, as you know, I am constrained here today to support the terms of the administration's budget request. I understand what you are telling me, and I cannot imagine that it would be any great problem. But, of course, it would be beyond the terms of what we have requested and what we are requesting.

Senator SARBANES. Would you agree with me that in addition to the economic impact of the terms on which aid is made available—which is the basic reality—there is also a political perception with respect to the terms on which aid is made available?

Ambassador VELIOTES. Well, I believe that is always inherent in the situation, sir, and that includes invidious comparisons, as Cairo looks at Jerusalem and at Washington.

Senator SARBANES. I understand that, but I think all countries look at where they are and which direction they are going in. Is that not perhaps a significant signal politically that they fasten upon?

Ambassador VELIOTES. I believe so, sir.

Senator SARBANES. And, therefore, a zag in the opposite direction is often given a great deal of political significance, is that not correct?

Ambassador VELIOTES. Well, it could. But I do not believe that there is or should be seen as a negative political signal the fact that a certain percentage of proposed assistance is at one set of terms rather than another. That is not our intent, in any event, sir.

Senator SARBANES. I know. Mr. Secretary, it is easy to say that, but I do not think that is the way it is perceived. Obviously that is a consideration we all have to be sensitive to, since this aid is, in part, designed to help achieve important overall foreign policy objectives.

Ambassador VELIOTES. That is true, sir. I would like just to note that guaranteed credits under FMS are not current-year budgetary outlays, whereas forgiven credits are. We know we are asking for a lot of money. We really have done our best to keep it down. And any changes that the committee or the Congress might make I would hope would not be at the expense of other programs.

Senator SARBANES. Mr. Chairman, you have been generous and tolerant. I appreciate that. I must go to another meeting. I will try to return.

Senator BOSCHWITZ. Well, Senator, you have proceeded along the line of questions that I would have.

Mr. Ambassador, some of the changes that you have made, that Senator Sarbanes has elicited, have no difference in budgetary impact. Therefore, as Senator Sarbanes points out, there is a great deal of signaling to be achieved by the zaggings, as he called them, the zigs and zags. It may be, as he says, that each country looks at the general direction in which it is going and some of the comparisons are unfortunate, particularly in view of the fact that we approved for the first time a 2-year authorization to which the administration certainly did not object.

So it is unusual. I agree with Senator Sarbanes that we do need to have a presentation predicated upon the basis of the authorization and the reasons for changes of that authorization.

Senator Sarbanes has asked the majority of my questions. As I

understand it, you have indicated that the repayment schedule by Israel is just somewhat in excess of the ESF—the full ESF, not only the grant portion but the grant and loan together. It is my understanding that it is likely that it will be quite a bit larger than that, that it will be almost twice as large as that——

Ambassador VELIOTES. May I ask Mr. Wheeler to respond to this——

Senator BOSCHWITZ [continuing]. Which would be repayments of earlier loans and interest.

Mr. WHEELER. Mr. Chairman, we estimate that repayments to the U.S. Government by the Government of Israel for both economic and military assistance will run about \$800 million fiscal year 1982. And, of course, as larger amounts are made available on credit terms on the military side, this amount will go up in the future.

The reason that I particularly called your attention to our report on the Israeli economy and the debt repayment prospects is laid out there. There is a description of both the longer term pressures on that economy and also the longer term prospects, assuming a continuation of sound economic management which we have seen by the Government of Israel in the past, and the ability to service the larger amounts of debt which we can anticipate they will have.

Senator BOSCHWITZ. Ambassador Veliotes, in your prepared statement you talked about the FMS proposals, and you say that "They will assist Israel in maintaining its technological edge and overall military capability in the region."

Previously, U.S. officials have used the term "qualitative edge." I believe Mr. West has used that term this morning. Is this some sort of a change when you use the term "technological edge"?

Ambassador VELIOTES. No, sir. They are synonymous. I guess you could argue that technological edge is a hardware issue and a research and development issue, whereas qualitative edge includes that plus, most importantly, manpower superiority.

But there was no intent on my part to suggest that we were proposing anything different, particularly anything that would be less in Israel's interest.

Senator BOSCHWITZ. The countries of the Middle East are acquiring large numbers of advanced aircraft and missiles and other equipment from the Soviet Union and from ourselves, Western Europe. What is your assessment of this technological/qualitative edge and whether or not it is being eroded?

And I note that in one of Mr. West's tables, it noted that the recent acquisitions by the Israelis have been very small in comparison to the arms acquisitions of other countries in the area. Is this technological/qualitative edge being eroded, and what is the significance of such an erosion on Middle East politics and on the stability of the region?

Ambassador VELIOTES. I will ask Mr. West to address this. But I would like to make a few comments, sir.

Senator BOSCHWITZ. Certainly.

Ambassador VELIOTES. The whole question of technological edge, qualitative edge—frankly even quantitative edge, in my view—depends upon the factors that you put into any particular equation. And what timeframe you are talking about. Certainly, in any reasonable

timeframe, it is my understanding that the American experts have concluded that Israel's technological edge, qualitative edge, if you will, will be maintained for some time into the future.

Mr. West, would you like to address this?

Senator BOSCHWITZ. Would you comment, before Mr. West begins on the vast almost explosion of arms purchases by other countries in the Middle East which are destabilizing the area and which could lead to preemptive strikes, add to fears of preemptive strikes, and also, as I believe Mr. West pointed out, the problems which exist not only between Israel and its neighbors but even—perhaps primarily—between the other neighbors among themselves?

Is this edge being sharpened, and is the possibility of conflict being enhanced by the introduction of these sophisticated weapons on large numbers into the area?

Ambassador VELIOTES. I think as a general proposition, sir, we think it is unfortunate that the circumstances in the area lead most of the countries in the area to believe that they have legitimate needs for significant modern weapons. I think, however, it is a reflection of the realities that it is a potentially volatile and quite dangerous place for countries to live in.

We are not just dealing with the Arab-Israel issue. There are other problems. There are other threats that our friends in the area see. And unfortunately, they see that the people who are threatening them have significant amounts, at times overwhelming amounts, of modern Soviet weapons at their disposal.

Over any long period of time, clearly the accumulation of large numbers of weapons by so many potential adversaries has a logic of the outbreak of war. This is why we have emphasized during the administration that arms sales are a part of an overall approach, by no means the only element of our policy. Our approach is designed to acquire influence, reassure our friends with respect to their security, and above all move the area toward peace.

In some areas we have more influence than in others. In the Arab-Israel area we have more influence. We see the momentous day approaching near the end of April where the Egyptian-Israeli treaty is going to be finally implemented. And we will be working to strengthen it.

On the other side, in the Iran-Iraq war we have very little influence. But we are certainly well aware of the problems inherent in this.

And in part, because there are arms available from other sources and primarily from the Soviet Union and that the Soviet Union has used arms sales and grants abroad as its primary, if not only means, of acquiring influence abroad in the Third World and in the Middle East, we feel we must be responsive within certain limits to the requirements for arms from certain of our friends in the area.

Now, we do our best in each transaction, particularly as it relates to those Arab countries closest to Israel, to satisfy ourselves that what we are proposing or what they wish and what we are willing to sell does not significantly increase the threat to Israel and does not impact adversely on Israel's qualitative advantage.

Now, we disagree at time with our Israeli friends on this analysis on a case-by-case basis. I think that is just in the nature of things.

However, when we disagree and when we have convinced ourselves that a certain transaction is required and is not a threat to Israeli's qualitative edge, then I believe the mere fact that we disagree does not by itself signify an increased threat to Israel.

Senator BOSCHWITZ. Well, I fear for the stability of the area as I see the vast amount of arms going in. Perhaps, Mr. West, you would now like to comment on that. Why do you not include in your comments the new possibility of a proposal for Jordan that I understand you have some involvement with?

Mr. WEST. Yes, sir. First, I concur with what Secretary Veliotis said about how we in the executive branch assess the trends in terms of the security of Israel and how we do have disagreements with our Israeli friends. As one put it to me last week, it is not we disagree with your numbers, we disagree with these assumptions you draw from your numbers.

We now have underway an interagency intelligence memorandum assessment to look at the balance. Some of the factors that cause Mr. Veliotis to indicate—

Senator BOSCHWITZ. When that assessment is made, I would like to come over to the Defense Department or to the State Department.

Mr. WEST. We would be delighted, Senator.

Some of the factors that cause Mr. Veliotis to indicate, as we look at it, the trends in terms of Israel's military superiority are, first, the quantitative trends. As all nations have had to pay more for the more sophisticated weapons has in actuality drawn down on the total numbers of weapons that any nation can afford. You get into this quality/quantity mix. As a consequence, the quantitative ratios against Israel have been decreasing.

Senator BOSCHWITZ. Say that again, please?

Mr. WEST. The quantitative ratios, Senator, have been decreasing; that is, there used to be a 6 to 1 ratio against Israel, it is now a 5 to 1 ratio. That sort of thing. And we can get on a classified basis the individual situations.

Senator BOSCHWITZ. That is still a very imposing ratio.

Mr. WEST. Oh, absolutely. There is no issue there. It is still a very imposing ratio.

Second, Egypt, which was the major military foe of Israel, has concluded a peace treaty. There will be withdrawal from the Sinai, and there will be an American and allied peacekeeping force in the Sinai. This means that Israel does not have to look south and north at the same time in terms of the fronts to defend.

Maintenance has to be taken into account in doing these assessments. As weapons become more sophisticated, the ability of a nation to maintain and keep these systems at a high degree of maintenance affects how many of these systems are actually operational.

And last, the nature of war itself has become more high speed, more intense, with a higher probability of kill per system. As a consequence, it puts more premium on decentralized command and control and quick small-unit initiatives which are areas in which Israel excels.

These, in short, are some of the trends that our intelligence community has identified, Senator. And we would be glad to go into quite some detail on this.

Senator BOSCHWITZ. I certainly hope that these assessments are correct. I read about the resurgence of the Iranians using our equipment. I express some surprise at the intelligence community's assessments sometimes. I recall well over a year ago they said the Iranians would not be able to use our equipment at all, as you are now indicating may be the case in the future.

And I note in press reports—I have now seen in intelligence reports—that the Iranians are beginning to change the tide with the use of some of our equipment that the intelligence community had indicated would not be usable after just a few days. Yet it still seems to be quite operational and efficient.

So your assessment that the use of all these weapons is going to be different and perhaps not sustainable on the part of some of the other countries in the area—that position does not seem to have held at least in the Iranian conflict with Iraq.

Mr. WEST. I would add, not in rebuttal, Senator, but only in elaboration, just one factor. And that is, the rate of systems that are operational, for instance, if Iran has 100 F-4's and it has 10 operational on any day, it does indeed have 10 F-4's that are flying on any day that were constructed in the United States. But the ratio is only 10 to 100, which would cause the average person looking at the maintainability of the system to say that there had been not an absolute zero maintainability but such a level of performance in maintainability that it would be unacceptable for an average armed force.

Concerning Jordan, Senator, and then I would like to go on to talk about your basic question about the vast explosion of weapons in the area, I would like to make several points. The first is that the U.S. security assistance for Jordan, measured since 1975, is down by 75 percent. We are friends with Jordan. Jordan is a moderate Arab nation. We do have a foreign military sales agreement ongoing with them, albeit at a much lower level than we used to have.

We are this year actually increasing and asking more for Tunisia, Morocco, and the Sudan than we are for Jordan. We recognize the dilemma that is inherent with Jordan. On the one hand, it is in confrontational status with Israel, and we are committed to maintaining the qualitative edge of Israel.

And I would note along those lines, Senator, that one of the charts I gave you indicated that since 1975 we have increased by approximately 200 percent in our foreign military aid to Israel while we have decreased by 75 percent in our foreign military aid to Jordan.

Jordan in and of itself is not a threat to Israel. But the other problem we have, of course, and that Jordan faces, is that it is in a confrontational status with Syria. And the amount of arms that have been pumped into Syria are not just a serious present danger to Israel, but given the confrontational status that Jordan finds itself in with Syria and given that they were on the brink of war in November of 1980, Jordan has a serious security problem in assuring that it can deter an attack from Syria. And that is the problem that we face in balancing discussions about Jordan's legitimate self-defense requirements because it does in the mid-1980's face obsolescence with many of its systems on the one hand, and insuring our pledge to Israel on the other hand.

So, Senator, all I can say is that we are continuing our dialog with Jordan. There have been no decisions made. When these decisions are made, you may be assured they will be made in a most careful manner, and they will be made by the President of the United States.

Senator BOSCHWITZ. You made the comparison between 1975 and the proposal for 1983, is that correct, on this chart?

Mr. WEST. Yes, sir. Just any of the trends in general, if you just look at Israel, the general trend in our aid for Israel is up.

Senator BOSCHWITZ. What about 1975?

Mr. WEST. That could have been a bad year, sir. Even if we took 1976—

Senator BOSCHWITZ. Well, for 1976 the trend there would be somewhat different.

Mr. WEST. Yes, sir. But they would still be up. That is what I mean. Whereas if you look at Jordan, it has been distinctly down.

Senator BOSCHWITZ. I do not see Jordan on the chart.

Mr. WEST. No sir. But I can supply that for the record by the close of business.

Senator BOSCHWITZ. Fine. That would be helpful.

[The information referred to is classified and is retained in committee files.]

Mr. WEST. The other point that Secretary Veliotis just made is that we used to have a substantial grant proportion to Jordan, and we now have none.

Senator BOSCHWITZ. Right. It is my understanding, on the other hand, that the Jordanians are getting some substantial grants from some of their friends and neighbors.

Mr. WEST. We believe that is the case, Senator.

Senator BOSCHWITZ. We support your efforts with respect to Morocco. These things should not go unsaid. We have directed most of our comments to the nations of Egypt and Israel and Jordan. But we support your efforts with respect to Sudan, Tunisia, and Morocco.

Once again, Mr. Ambassador, in the case of Tunisia, there was an earmarked amount for ESF funds. As you pursue Senator Sarbanes' questions and why there is a diversion from the 1983 authorization, I wish you would also give some attention to that, although it is a small amount.

The Tunisians are a moderate and stabilizing force, a country that has improved its economy, to be sure, but not to the point where I think we must penalize them at this time.

Well, gentlemen, we will leave the record open for Senator Cranston, who has indicated that he wishes to ask some questions, and also perhaps other Senators.

Before we end this, Mr. Veliotis, certainly it is of great interest to this committee—we did not have a chance to talk before you arrived—you have just returned from the Middle East. We would be interested in having a brief assessment of what you found there and what the prospects are for April 25 and thereafter.

Ambassador VELIOTES. Mr. Chairman, as far as April 25 is concerned, I believe both in Egypt and Israel it is viewed as a date that will mark a new beginning. It is the date upon which the Egyptian-Israeli treaty will be fully implemented. Of this I am very confident.

And that will then set the basis for strengthening of that relationship.

I believe that as it is well understood to the committee that the Egyptian-Israeli treaty is the basis for the United States policies in peace and security in the Middle East and the broader Southwest Asian area. I believe that it is also looked upon in Israel and Egypt as playing that same key role in the policies of these two countries.

We should not be surprised that there are concerns in one or the other of these countries having to do with the implementation of the treaty, for different reasons. On the Israeli side, the withdrawal does represent, even after 5 years of increased contact and cooperation and even after the establishment of diplomatic relations and the establishment of embassies and all of these things that none of us dreamed about just a few years ago. It still does represent something of a step into the unknown.

Under those circumstances, apprehensions and concerns are understandable and tend to become exaggerated. Against the backdrop of the true national trauma which is represented by the withdrawal of the remaining settlers at Yamit. This is something that people have to understand. This leads to an atmosphere in which concerns can and do arise. Explanations should be and will be forthcoming.

On the other side, in Egypt, the focus is on the reestablishment of Egyptian sovereignty over land. It is a major national issue, every bit as important in the Egyptian environment looked at from their perspective as it is in the Israeli environment looked at from the Israeli perspective. They, too, have questions. They are different questions, but they exist.

In these circumstances, it is only natural¹ that the United States, by its presence, by its unique relationship with both of these countries, plays its full role in helping to answer questions and eliminate whatever suspicions might exist in both capitals about the activities and intentions of the other side.

I believe that is the best explanation I can give you as to the circumstances there, the presence of Ambassador Stoessel and my own recent visit. In a broader sense, Mr. Chairman, I also visited the gulf recently, and as you and I discussed in some detail after my return, there is the other conflict that concerns us and all of our friends there.

I found an enhanced concern about developments on behalf of all of the gulf leaders with whom I talked. They looked for steadfastness and reassurance. I believe they appreciated we are responding to difficult circumstances in an intelligent and measured manner.

I mentioned in my statement that we believe no one's interests are being served by this war continuing, particularly the interests of the two countries concerned. We have always made clear—and I would like to underline that—always made clear from the beginning that first the war should stop; second, if it cannot stop, it should be limited; third, that we support the territorial integrity and independence of both of those countries.

Nothing has changed as a result of some changing fortunes on the battlefield with respect to American policy in that respect. In the coming weeks and months, we will do what we can do under very difficult circumstances to encourage a speedy resolution of that war and in the meantime to insure it does not spread.

Senator BOSCHWITZ. Gentlemen, we thank you. I agree and hope that it is going to be a new beginning. It does not surprise me that the level of tensions are high. As a matter of fact, it surprises me that there is not a higher level of tension.

I also agree with you that the tensions and the incidents have tended to be exaggerated in the press in recent weeks. I hope that this new beginning will be meaningful.

The Israelis are giving up real strategic depth for a treaty. And treaties in that part of the world have not always been perhaps as meaningful as they would be to us and to others. Hopefully, that new beginning will be the beginning of something that will lead to a broader peace and the inclusion of Jordan and other countries in the area.

We thank you, gentlemen.

Ambassador VELIOTES. Mr. Chairman, you have put your finger on what I think is a very important element, the key element, in the current situation, which I would like to comment on very briefly. Treaties in that part of the world, and agreements, have often not meant too much. But this is the first treaty between Israel and a major Arab country, any Arab country. This happens to be Egypt.

And we must always remember that the United States is not only a partner in this treaty but has a substantial role in guaranteeing that its provisions are observed. Given the desire of both sides to live in peace and our own role, I am confident that indeed it will be a new beginning.

Senator BOSCHWITZ. Thank you very much, gentlemen.

[The following information was requested by Senator Pressler:]

CONVENTIONAL ARMS DELIVERIES TO THE MIDDLE EAST BY THE
UNITED STATES AND THE SOVIET UNION, 1979-1981

[SUBMITTED BY THE DEPARTMENT OF STATE]

The Middle East in recent years has accounted for the largest share of conventional weaponry purchased by or delivered to Third World nations by the major arms suppliers. The region accounted in 1980 (a record high year) for about three-fourths of the military hardware contracted by Third World nations from the major arms suppliers. Although 1981 arms accords with these suppliers dropped dramatically from 1980 levels, substantial order backlogs from that and previous years insure that military deliveries to the Middle East will continue briskly for the next few years.

We estimate that the Soviet Union delivered to the Middle East between 1979 and 1981 significantly more lethal weapons than did the United States. Although these broad categories of lethal weapons do not take into account the relative degree of sophistication within a class, it should be noted that, more than anywhere else in the Third World, the most capable weapons exported are sold in the Middle East. The data for the U.S.S.R. should be regarded as minimum quantities of arms delivered, according to information in which we have confidence, and do not reflect other military support equipment provided.

[U.S.S.R. in calendar year, United States in fiscal year]

	1979	1980	1981	Total
Ground force weapons:				
Tanks and self-propelled guns:				
U.S.S.R.	1,473	666	918	3,057
United States	398	640	167	1,205
APC's and light armor:				
U.S.S.R.	1,320	1,321	816	3,457
United States	853	2,249	234	3,366
Artillery (100-mm and larger):				
U.S.S.R.	1,431	871	631	2,933
United States	247	124	57	428
Naval weapons:				
Major surface warships:				
U.S.S.R.	1	2	4	7
United States	2			2
Minor surface warships:				
U.S.S.R.		3	5	8
United States	1			1
Submarines:				
U.S.S.R.			1	1
United States				
Missile patrol boats:				
U.S.S.R.	9	6	1	16
United States				
Air weapons:				
Supersonic combat aircraft:				
U.S.S.R.	358	258	304	920
United States	61	54	70	185
Subsonic combat aircraft:				
U.S.S.R.	30	29	10	69
United States			1	1
Military helicopters:				
U.S.S.R.	178	83	125	386
United States	1	3		4
Other military aircraft:				
U.S.S.R.	8	27	15	50
United States	18	2	6	26
Surface-to-air missiles:				
U.S.S.R.	2,943	444	38	3,425
United States	1,189	739	133	2,061

The estimated dollar values of weapons above and of weapons-associated spares, ammunition and support equipment appear below. It should be noted that, to make United States and Soviet figures as comparable as possible, United States figures include the value of FMS, MAP and commercial sales licensed under the Munitions Control Act, but exclude the value of military construction and other defense services (primarily training) performed by the United States.

[U.S.S.R. in calendar year, United States in fiscal year; in millions of then-year U.S. dollars]

	1979	1980	1981	Total
U.S.S.R.	\$6,332	\$3,002	\$3,507	\$12,841
United States	2,652	2,099	1,454	6,205

Senator BOSCHWITZ. We now will receive testimony from Thomas A. Dine, executive director of the American Israel Public Affairs Committee; David J. Sadd, executive director of the National Association of Arab-Americans; and Robert Basil of the American-Lebanese League. We invite them all to come to the table at this time.

[Pause.]

Senator BOSCHWITZ. We are going to proceed now. Do you gentlemen have any preferred order for testifying?

Mr. DINE. Mr. Basil, I believe, has an airplane to catch.

Senator BOSCHWITZ. I see. Do you have any preference, Mr. Sadd?

Mr. SADD. I have no preference, Mr. Chairman.

Senator BOSCHWITZ. Our hearing has gone on a little longer than I might have anticipated. Mr. Basil, because of your time constraints, why do you not go first? Do you have any prepared testimony? I do not seem to have it.

[Pause.]

STATEMENT OF ROBERT BASIL, AMERICAN-LEBANESE LEAGUE

Mr. BASIL. Mr. Chairman, my name is Robert Basil, national chairman of the American-Lebanese League, a nationwide nonprofit organization founded by American citizens in 1976 to promote United States-Lebanon relationships and to foster the sovereignty, security, democracy and independence of Lebanon within the bounds of the United States national interest.

We are not a lobbying organization, but an educational, humanitarian, and social organization, with a broad national membership base representing the philosophy and ideals of the great majority of the nearly 2 million Americans of Lebanese descent.

Today I would like to discuss briefly the importance of Lebanon to the United States and the major U.S. foreign aid and policy actions that should be considered to achieve U.S. strategic and regional objectives.

I emphasize together both policy and foreign aid, because in the absence of a policy change, the foreign aid program as presented does not have much meaning. This year, 1982, may determine Lebanon's future. U.S. policy over the past decade and the climate that existed in the early 1970's when it was adopted can be summarized as follows:

One, the United States was pursuing détente and seeking cooperation with the Soviet Union; two, the United States and the West are building ties to the Arab world for continual access to Arab oil; three, the security of the Persian Gulf was firm and unchallenged by Soviet or radical forces; four, the United States focused on Israel and a Palestinian solution; and, five, Lebanon presented a leadership that was sufficiently weak so as to permit major Palestinian intrusion and that contributed to the deterioration of the United States-Lebanon relationships.

Consequently, the United States in its post-Vietnam mood of caution adopted a policy of containment at the urging of and for the convenience of all regional powers. The object of the policy was to contain within Lebanon all of the violence and instability associated with Palestinian presence and not permitted to spill out into the region.

Containment would be assured by placing a Syrian military lid over the resultant macabre Lebanese receptacle. The roles were very clear. Regional nations remained inviolate and free of violence. Major powers would bend all efforts to solve the Palestinian problem. Lebanon was to lie silent, unresting, and suffering until the final solution.

A corollary of the policy was that any resistance of the Lebanese population to the resultant and brutal occupation would be considered activist, destabilizing, and uncooperative. Modern day analysts call it "damage limitation."

It is now clear that the policy of containment has been a disastrous failure for several reasons: One, the policy of containment presumed that fiscal containment necessarily resulted in political containment.

The reverse has happened. In reality, the most successful political proliferation of the past several years has been PLO [Palestine Liberation Organization] infiltration throughout the region, threatening to topple all the moderate Arab governments, and PLO influence that now control the United National General Assembly.

Two, the policy of containment presumed that the shattering of Lebanese institutions would necessarily be accompanied by the collapse of Lebanese national will. Again, the reverse has happened. Never in their history has the will of the Lebanese people been stronger, galvanized by the threat of loss of freedom. Major segments of the Lebanese population are actively and militarily resisting the foreign occupation attendant to containment policy implementation.

Three, the policy of containment assumes that Arab and Syrian peacekeeping forces had no other objectives but to assure stability. It is now clear that Syria's objective is political hegemony over Lebanon and that Syria has actually been the major source of upheaval and instability in Lebanon.

Four, the policy of containment has permitted the regional antagonists to endlessly continue their confrontation, with no incentive for resolution because they incur no penalty within their own countries by continual conflict with each other.

Five, the policy of containment has resulted in Lebanon itself becoming a critical mass threatening to ignite the entire region.

The results are not clear. In the sanctuary of their own countries, after 7 years, hardly any loss of life occurred in other regional nations. In Lebanon, 100,000 people were killed, 150,000 were wounded, 300,000 were displaced, and 35,000 were orphaned. In a country of 2.5 million, one out of every five Lebanese men, women, and children have been killed, wounded, orphaned, or displaced.

Interestingly, the United States has been the other major loser. After 7 years of the policy of containment, the U.S. position in the region has deteriorated dramatically. The United States has paid heavily to suit the convenience of its regional friends.

Nations, to justify their own inaction concerning Lebanon, have conveniently hidden behind the alleged lack of Lebanese national reconciliation. I was very disappointed to hear Assistant Secretary Veliotis say this morning that the State Department was still supporting, at least in their public statements, the fiction that national reconciliation in Lebanon does not exist and could be promoted with the help of other Arab countries.

The Christian community has long since quietly achieved an accord with Lebanese Moslems to rebuild their country and recapture their glorious and successful past. But the Moslem community cannot do so publicly. Containment has resulted in the elimination of Lebanese Moslem leadership that truly reflects the people.

As in the Eastern European model, it has been replaced under brutal and degrading occupation by a fake leadership which represents alternatively Syria, the PLO, Libya, Iraq, Iran, Jordan, and others, none of whom view Lebanon as does the Lebanese Moslem community itself.

Evidently, national reconciliation is defined as having the Lebanese people accommodate or else to the interests of the regional Arab countries and not to their own needs and legitimate aspirations. This is the catch 22 of past United States and Arab policy.

The strategic climate of 1982 is different from that of 1975. Détente has collapsed. There is massive Soviet penetration of the region and the United States and the West are on the defensive as the gulf is becoming endangered. A major U.S. reassessment has resulted. What about Syria?

Senator BOSCHWITZ. Pardon me, Mr. Basil. The statement that you have just added to your statement is of interest. This committee will hold hearings on some aspects of that in the reasonably near future, particularly the Syrian presence in Lebanon and the effect of the Syrian presence, which you say has now been for 7 years, is that correct?

Mr. BASIL. [Nods affirmatively.]

Senator BOSCHWITZ. The stability of Lebanon, at least when one judges they have been there for 7 years, does not seem to have improved at all. It has deteriorated. I believe in your testimony you talk about the upcoming elections.

Mr. BASIL. Yes, I do mention that later in my testimony.

Senator BOSCHWITZ. Very well. Well, since you added those thoughts to your prepared statement, I just wanted to comment that we would be holding hearings about those particular thoughts that you have, and to see what our own agencies conclude about those things.

Mr. BASIL. The American-Lebanese League welcomes those hearings, Mr. Chairman, and feels that they will eliminate a picture that has become grossly distorted.

Senator BOSCHWITZ. Will your statement evaluate the Syrian presence with respect to the elections?

Mr. BASIL. Yes.

Senator BOSCHWITZ. Very well. Please continue.

Mr. BASIL. What about Syria? For one, Syria no longer plays a constructive role in Lebanon and should withdraw its forces from Lebanon.

Two, U.S. fears of the vacuum left by Syrian departure is no longer strong. The United States realizes that Syria is continuously creating divisiveness and instability that justifies their retention.

Three, control of the situation in Lebanon can no longer be under the most radical, unstable country in the region. Syria is inherently more unstable than Lebanon. Their internal situation is deteriorating rapidly and irreversibly, and this instability is being reflected directly and dangerously into the already explosive Lebanese situation.

Four, Syria has been the main opposition to both the Camp David and the Saudi peace plans.

Five, Syria is teaming with Libya and the Soviet Union in support of Iran.

And six, a successor to President Assad is no longer considered to be a worse alternative. In the words of one U.S. official, who could be worse.

What about Lebanon? The conclusion is a strong, stable Lebanon could be of strategic value to the United States for four reasons:

First, the three major extensions of Soviet policy converge in Lebanon; Syria, whose army is in Lebanon; the PLO, who live in Lebanon; and Libya, whose largest political-military investment is in Lebanon. The Soviet and Eastern European trade missions, cultural missions, and great political activity have alarmed the traditionally

pro-West Lebanese. A strong Lebanese state would blunt all of this activity.

Two, international terrorism, largely exported from Lebanon, could be brought under control for the benefit of free nations everywhere.

Three, the peace process would be helped by downgrading Syria's ability to oppose.

Four, defusing the volatile Lebanese flash point would increase regional stability and help to preserve continual access to oil.

It is now clear that all nations of the region have motives in Lebanon that are not in Lebanon's interest and that a direct United States-Lebanese relationship should be established to realize U.S. goals within Lebanon and to the extent the Lebanese situation impacts the region.

Our task is now to converge these conclusions to dynamic policy implementation within the next few months. The scheduled Presidential election in August and the events leading to the election will determine the future of Lebanon for a long time to come, for better or for worse.

We cannot delay longer. The United States must, one, guarantee the sovereignty and territorial integrity of Lebanon within its internationally recognized boundaries; two, guarantee the freedom and security of the Christian, Moslem, Druze, and other communities in Lebanon; three, secure early withdrawal of Syrian occupation forces from Lebanon to insure free elections—otherwise, there can be no free elections under Syrian occupation; four, support a strong Lebanese authority that insures that Palestinian behavior in Lebanon is not in violation of national and international laws and rules of conduct; five, guarantee free Presidential elections in August of 1982 whose results truly reflect the will of the people rather than that of the armed foreign Syrian and PLO forces in Lebanon.

If these policy steps were taken, then we strongly urge that we construct and approve a major foreign aid program to build up the Lebanese Army, to fund major reconstruction, and most importantly, to fund major humanitarian programs for rehabilitating the thousands of physically and psychologically damaged, especially children and orphans.

This program should be for \$100 million per year for 3 years of FMS credits to build up the Lebanese Army and \$100 million per year for 3 years for humanitarian and reconstruction efforts.

We in all have worked very hard over the last several years to eliminate the tragedy of Lebanon and its people and the immoral dimension of the policy of containment. The Zahle seige last year, which crystallized congressional and national outrage against the Syrians was merely the latest cruel chapter on the grand scale of policy gone awry.

However, if the Zahle seige is the ultimate example of madness, given a veneer of respectability by major powers justifying a bankrupt policy, it also defines for us the magnitude of the task that remains. Our job during the next 4 critical months is ambitious and imposing, but absolutely vital. I have just returned from Beirut, where I attended the First International Conference for Solidarity with Lebanon. Over 20 nations of the world were represented by senior government officials, scholars, businessmen, scientists, writers, all expressing

the swelling outrage of the people of their nation concerning the Lebanese tragedy as their governments remain officially silent.

My concluding comments to this impressive international gathering were

Each of you here is from a free democratic country. One of the flaws of democracy is that although domestic policy is directly coupled to the feelings of the people, foreign policy is not. It is usually in the hands of pragmatists unencumbered by the burdens of morality and justice. Our task is to couple decent public opinion to foreign policy decisions.

We in the free world are our finest when we do indeed defend justice and oppose cruelty whenever we can in the world and, in so doing, enrich our own individual national spirits. Lebanon gives us an opportunity to enrich ourselves once again, and to the extent we are successful, God's work will truly be our own.

Thank you very much, Mr. Chairman.

Senator BOSCHWITZ. You referred to the election. What are the prospects for that election occurring as scheduled? And what are the prospects for the elections as you see them being reflective of the will and the wishes of the Lebanese people?

Mr. BASIL. If the Syrian Army remains in Lebanon, keeping their presence and the presence of the armed PLO in a relatively inviolate and powerful status, I believe it is axiomatic that the Lebanese Presidential election, as in the Eastern European model, will result in a President that will support Syrian and PLO interests and not reflect the aspirations of the Lebanese people.

In strategic terms, the United States should be very concerned, because this will result in the Russians for the first time gaining access to the finest ports and the highest strategic mountains in the Middle East—namely, the Lebanese ports and Mount Sannine in Lebanon—a very strategic reversal for U.S. military and geopolitical position in the region.

Unless the United States squarely faces that problem, then a major setback not only for Lebanon but U.S. interests will occur. A point that is not understood well is that the nature of the Syrian presence has changed over the last 7 years. When they entered in 1976, it was with the tacit approval of the United States with some fundamental cooperation between the government of President Assad and that of the United States and the West.

During the past 7 years, Syria has moved gradually under the Soviet umbrella to the point now where it is the most powerful extension of Soviet interest in the region. The Soviet airborne early-warning aircraft from Syrian airfields to monitor the U.S. Sixth Fleet, the Soviet ships go into Syrian ports and access as the next step to the Lebanese coastline and mountains would be a spectacular breakthrough for the Soviet military position in the region.

Consequently, what seemed like a good idea to the United States, having Syrian military presence in Lebanon in 1976, since the basic character of Syria has changed during those years, it now has become an extreme danger not only to Lebanon but to the United States and Western interests as well.

Senator BOSCHWITZ. We thank you, Mr. Basil. We will indeed examine the Syrian presence. And we will be talking about that together. I am sure. We will also be considering when to schedule that, but I believe it should be in the near future.

Thank you for being with us this morning.

Mr. BASIL. Thank you very much, Mr. Chairman.

Senator BOSCHWITZ. Mr. Dine, do you wish to proceed?

STATEMENT OF THOMAS A. DINE, EXECUTIVE DIRECTOR, AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE, ACCOMPANIED BY DOUGLAS BLOOMFIELD, LEGISLATIVE DIRECTOR

Mr. DINE. Thank you, Mr. Chairman. The American Israel Public Affairs Committee [AIPAC], appreciates the opportunity to express its views on the proposed Foreign Assistance Act for fiscal year 1983. AIPAC supports the total amount of economic and military assistance requested by the Reagan administration for Israel for fiscal year 1983.

However, we are deeply concerned with the additional \$300 million in military assistance in the form of loans, not grants, and administration proposals to repeal \$50 million in grant FMS assistance and to \$260 million in economic support fund grant assistance already approved by the Congress and signed into law by the President for fiscal year 1983. I intend to discuss this in detail later in my testimony.

The assistance for Israel helps to strengthen the vital alliance between the United States and its democratic friend. This assistance reassures an anxious Israel at a time it is undertaking great national security risks in fulfilling the Camp David Peace Accords. This assistance emphatically tells Israel's avowed Arab foes and the Soviet Union that our national commitment to Israel's security and well-being stands firm.

Mr. Chairman, instability is pandemic in the Middle East. Assistant Secretary of Defense Bing West's testimony supports that statement. The Arab-Israeli dispute is only part of the regional turmoil. Just look at yesterday's events. Protests in 15 Islamic countries took place regarding the Al Aqsa Mosque incident, and Syria confiscated 200,000 tons of Iraq's crude oil that was loaded for export. Last week, Syria took 300,000 barrels, it is reported, of Iraqi crude.

All of this turmoil affords the Soviet Union ample opportunities to gain influence in the region. In response to the Soviet threats and probes in the Middle East, this administration's policy of "strategic consensus" was a welcome development. Unfortunately, the response from those Arab countries expected to participate, most notably Saudi Arabia, has been anything but favorable. No consensus has jelled among the Arabs toward confronting Soviet expansion.

One Middle Eastern country, however, has always shared a strategic consensus with the United States on confronting the Soviet threat. And that country, of course, is Israel. Secretary of State Haig told Congress last year of Israel's "importance to our developing regional strategy. Israel constitutes an important deterrent in the region and indeed can play a major role in countering the more serious threats involving the Soviet Union."

The Memorandum of Understanding signed by the United States and Israel on November 30, 1981, recognized the shared strategic consensus of the two nations. The document specifically recognized the Soviet threat to the region. It was therefore disappointing that the Department of Defense suspended the agreement less than 3 weeks later.

Considering the document was predicated upon confronting the common Soviet threat, considering that the Soviet threat remains, the unilateral abrogation of the agreement makes little sense. This act provides encouragement to those who seek to drive a wedge between the United States and Israel. Within the context of United States-Soviet competition within the Middle East and the internal instability in the Arab world, Israel finds itself under new military threats and pressures from its Arab foes.

In the year since this committee last deliberated on foreign assistance to Israel—owing to extraordinary arms sales to the region by the Soviet Union, Western Europe, and the United States—the balance of military forces tips further and further toward the Arab favor. The Syrian threat to Israel continues to grow.

And Jordan, too, looms larger today in Israel's threat analyses. Despite Jordan's continued rejection of peace with Israel and the recent creation of a joint Soviet-Jordanian military commission, Jordan is seeking and the United States is apparently acceding, as I listen to Secretary West this morning, to the sale of mobile I-Hawk missiles and/or F-16 or F-5G aircraft.

Mr. Chairman, such a sale to Jordan presents a significant threat to Israel. And when viewed as part of other sales to the region, particularly to Saudi Arabia, the sale becomes part of an ominous war cloud gathering on Israel's eastern border.

Since 1973, Arab States have purchased more than \$100 billion of weaponry, most of it from the United States. To many an observer—for sure, myself—a runaway arms race stimulated, in part, by the United States, is not a proper and responsible way to achieve our national objective of stability and strategic consensus in the region.

And I was struck, Mr. Chairman, when Assistant Secretary Veliotis stated to you just a few minutes ago that the U.S. policy is "to set the basis for strengthening the Egyptian-Israeli relationship." I, frankly, cannot understand how runaway arms sales allow us to achieve that objective. I do not see how the decision not to appoint a high-powered Presidential special assistant to negotiate the autonomy agenda contributes to strengthening that relationship.

This attitude is alarming, and I think it is also instructive for us to consider. Middle East States have come to expect much from us while offering nothing in return. Look, for example, at what happened when our Secretary of Defense was in Saudi Arabia about 2 months ago. An unnamed, ungracious but candid Saudi general reportedly said to the Secretary of Defense, "You Americans are just arms salesmen. We Saudis pay cash."

The Arab States have redoubled their efforts to pull Egypt away from the Camp David peace process. They have increased their political, diplomatic, and economic warfare against the Jewish State. They have consistently thwarted U.S. plans, hopes, and goals. Despite the threats from its neighbors and the on again, off again actions of the United States in the past year, Israel stands committed to carrying out its responsibilities of the Egyptian-Israeli peace treaty and of the Camp David accords. This month Israel will withdraw from the last remnant of the Sinai and relinquish the safety it afforded Israel.

I might add, Mr. Chairman, that it is quite ironic that if Israel had not engaged in this peace process, had not engaged in the peace treaty

with Egypt and still continued to administer all of the Sinai, it would possess today enough oil wells and enough oil supplies to, ironically, allow it to become eligible for membership in OPEC.

Thus, let no one charge that Israel is expansionist, recalcitrant, or intransigent. When offered full recognition as a nation among nations, when given an Arab neighbor willing to make peace, Israel will carry out every sacrifice necessary to achieve peace. At the same time, when its very existence is threatened, when its citizens are denied the right to live peaceful lives, Israel will take every measure necessary to protect its security just as the United States would.

The withdrawal will also cost Israel an estimated \$17 billion in facilities, infrastructure, oil development, and investment left behind; and \$5 billion for a new airfields, bases, depots, support facilities, and early-warning emplacements that must be reconstructed.

Some of the cost for withdrawal and relocation has been paid by America's generosity in the form of foreign assistance. Most of the expense, however, is borne by Israel's citizens who are already among the highest taxed people in the world.

Thus, Mr. Chairman, Israel pays for peace. And it pays for defense. The Middle East arms race has a direct and devastating impact on Israel's economy. About 25 percent of Israel's GNP goes to defense compared to approximately 6 percent in the United States. Much of Israel's outstanding debt is for repayment of defense-related loans. The \$2.5 billion contained in this foreign aid appropriations bill before you will help alleviate much of the strain on the Israeli economy.

The \$2.5 billion is indeed generous, but we express to this committee our concern over the administration's attempt to cut \$50 million in foreign military sale forgiveness and \$260 million in ESF grant assistance for fiscal year 1983 recommended by this Congress and signed into law by the President.

We urge this committee and Congress to block this effort. While the administration has also requested an additional \$300 million in FMS loan credits for Israel, none of this amount is to be forgiven. This new loan authority is intended to help finance Israeli aircraft purchases that were made necessary by the new security requirements mandated by the sale of F-15 offensive enhancement equipment and AWACS to Saudi Arabia.

We urge this committee and Congress to forgive the entire \$300 million. The 1982 "AID Report on the Israeli Economy and Debt Repayment Prospects" states that each \$100 million of FMS loans costs Israel \$22.65 million per year in debt service, or more than \$550 million over the life of the loan. Thus, the loans to help offset the Saudi arms package will cost Israel about \$1.6 billion.

Already this year, debt service to the United States will amount to approximately \$800 million, exceeding the total ESF grant assistance Israel receives from the United States.

Unless the United States provides military assistance to Israel on terms it can bear, Israel will simply not be able to afford to purchase the military equipment it needs to offset the sale of sophisticated U.S., European, and Soviet arms to Saudi Arabia, Jordan, and other Arab confrontation states.

The failure to provide concessional assistance would cast serious doubt on our commitment, as Senator Sarbanes indicated, to preserve

Israel's qualitative edge, as promised on several occasions by President Reagan before and after the AWACS and F-15 enhancement sale debate in the U.S. Senate.

Therefore, we urge the committee to take these factors into account as it reviews the fiscal year 1983 Foreign Assistance Act. While we understand the budgetary constraints under which this committee must operate, we believe this issue is closely tied to stability in the Middle East and to future hopes for a more comprehensive and lasting peace in the region, a small budgetary price to pay.

Thank you very much.

[Mr. Dine's prepared statement follows:]

PREPARED STATEMENT OF THOMAS A. DINE

Thank you, Mr. Chairman, for the opportunity to testify before this distinguished Committee. Appearing with me is Mr. Douglas Bloomfield, AIPAC's Legislative Director.

The American Israel Public Affairs Committee (AIPAC) appreciates the opportunity to express our views on the proposed Foreign Assistance Act for fiscal year 1983.

AIPAC supports the total amount of economic and military assistance requested by the Reagan Administration for Israel for fiscal year 1983. However, we are deeply concerned over the additional \$300 million in military assistance in the form of loans not grants and Administration proposals to repeal \$50 million in grant FMS assistance and \$260 million in economic support fund grant assistance already approved by the Congress and signed into law by the President for fiscal year 1983. I intend to discuss this in detail later in my testimony.

Overall, however, the \$1.7 billion in foreign military sales credits and the \$785 million in economic support funding will help Israel maintain its defensive capability and economic viability.

The assistance for Israel helps to strengthen the vital alliance between the United States and its democratic friend.

This assistance reassures an anxious Israel at a time it is undertaking great national security risks in fulfilling the Camp David Peace Accords. This assistance emphatically tells Israel's Arab foes and the Soviet Union that our national commitment to Israel's security and well-being stands firm. The economic and military assistance recommended for Israel this year thus serves broad American purposes throughout the Middle East and enhances the bilateral United States-Israel relationship.

THE MIDDLE EAST TODAY

Mr. Chairman, instability is pandemic in the Middle East. The Arab-Israeli conflict is only part of the regional turmoil. War continues to rage between Iraq and Iran with still no end in sight, and both countries face internal threats as well. Fighting has been reported between North and South Yemen. A serious but unsuccessful coup recently took place in Bahrain. Jordanian soldiers have just been dispatched to fight alongside the Iraqi troops. Syria remains at odds with both Iraq and Jordan. At least 25,000 Syrian troops occupy most of Lebanon. The once free and independent country is shattered by intra-Moslem, intra-Christian, and Moslem-Christian warfare. In effect, Syria has annexed 60 percent of Lebanon—which it has never recognized as an independent state and considers to be part of greater Syria. The PLO occupies much of the remainder of Lebanon. Meanwhile, inside Syria, near civil war exists with unknown hundreds killed as Syrian tanks and artillery mercilessly and brutally blasted away at the residents of Hama just a few weeks ago.

In Egypt, the assassination of Anwar Sadat only 6 months ago leaves that country with a relatively unknown leader and a totally uncertain future. Arab enticements and threats are offered to push Egypt into the Arab rejectionist camp. For the first time in almost a decade, Soviet advisers have been invited back to Egypt. And breaking with his predecessor's practice, Egyptian President Mubarak has refused to visit Israel's capital, Jerusalem.

Arab governments are buffeted by oil gluts, ideological debates and personality conflicts. Libyan strongman Muammar Qaddafi somehow finds himself involved in all these disputes as the catalytic agent in this volatile region.

The Middle East continues to be the source of training for international terrorism. From the camps in Libya, Syria, Lebanon, Iraq and South Yemen, terrorists emerge to attack targets in Europe, Latin America, Asia and the Middle East. Training, arms, and funds are supplied by these countries to terrorists from a score of countries.

None of this turmoil is related to the Arab-Israeli conflict, and none of the turmoil will disappear with a solution to the Arab-Israel conflict. All of this turmoil, however, affords the Soviet Union ample opportunities to gain influence in the region. The Soviets have gained more than just a foothold in countries such as Syria, Libya and South Yemen, where they and their surrogates play a vital role in running the military and internal security apparatus.

Another major entree for Soviet influence and intimidation in the Middle East is through the Palestine Liberation Organization (PLO). The PLO intimidates and threatens moderates throughout the Arab world, not just on the West Bank and Gaza where 17 Arab residents were assassinated last year. In addition, the PLO trains and supports the international terrorist cadres plaguing western Europe and Latin America. The trial and confessions of the terrorists responsible for kidnapping U.S. General James Dozier, for instance, have revealed the extensive PLO role in arming and training Italy's Red Brigades. [See Appendix I, "The PLO and the Red Brigades."] There is also evidence of PLO training of Ali Agca, the attempted assassin of Pope John Paul II.

In January 1982, PLO leader Yasir Arafat boasted that his forces were actually serving in Nicaragua and El Salvador. [See Appendix II, Wall Street Journal, January 14, 1982.] "The Palestinian identity," Arafat explained, "is one of revolutionary struggle and universal in its character. . ."

In response to the Soviet thrusts and probes in the Middle East, this Administration's policy of a "strategic consensus" was a welcome development. Unfortunately, the response from those Arab countries expected to participate—most notably Saudi Arabia—has been anything but favorable.

One Middle East country, however, has always shared a strategic consensus with the United States on confronting the Soviet threat, and that country, of course, is Israel. Secretary of State Haig told Congress last year of Israel's "importance . . . to our developing regional strategy. Israel constitutes an important deterrent in the region and indeed can play a major role in countering the more serious threats involving the Soviet Union."

Just what does Israel offer the United States? Mr. Chairman, Israel offers strengths and characteristics unique among the nations of the Middle East: a firm and enduring commitment to democracy, political stability, proven military capabilities, shared ethical values, and a recognized reliability as an ally. Most importantly, Israel's democratic institutions insure that Israel's future political orientation will continue to be one that is firmly rooted in the western mold. That was certainly not the case with Iran; nor is it true of Saudi Arabia, Jordan or even Egypt.

The United States can call on Israel to serve as a regional staging area, a land route for supplies between Egypt and Asia, a refueling base, and a tactical support, maintenance or medical facility. Israel possesses some of the most modern tactical airbases in the world, including two new bases constructed in the Negev Desert with American assistance.

Israel also has deep water ports on the Mediterranean and Red Seas. The port of Haifa is now used by ships of the U.S. Sixth Fleet for supplies and shore leave. Israeli ports and airbases are capable of servicing and repairing virtually any tactical aircraft or fighting ship in the U.S. inventory.

As members of this Committee well know, military installations are important in time of war, but intelligence outposts are no less important in time of peace. Israel is such an outpost for the United States, sharing its intelligence data with the United States and other nations. To cite several examples, Israel warned of instability in Iran months before the fall of the Shah; Israel has provided captured Soviet military equipment (tanks, missiles, aircraft) for American evaluation; Israel has provided details of its tactics and strategy in combatting terrorism; Israel shares information on the Soviet fleet in the Eastern Mediterranean as well as data on the Iraq-Iran war.

The Memorandum of Understanding signed by the United States and Israel on November 30, 1981 recognized the shared strategic consensus of the two nations. The document specifically recognized the Soviet threat to the region.

It was, therefore, with great surprise and disappointment the Defense Department suspended the agreement less than 3 weeks later. Considering the document was predicated on confronting the common Soviet threat, considering that the Soviet threat remains, the unilateral abrogation of the agreement makes little sense. This act provides encouragement to those who seek to drive a wedge between the United States and Israel.

With similar dismay, we note that the Annual Report to the Congress for fiscal year 1983 by the Secretary of Defense never even mentions Israel and its importance to the United States.

THE THREATS TO ISRAEL

Within the context of United States-Soviet competition in the Middle East and the internal instability in the Arab world, Israel finds itself under new military threats and pressures from its Arab foes. In the year since this committee last deliberated on foreign assistance to Israel, the balance of military forces tipped further toward the Arabs' favor.

In the last year, Israel has faced a serious buildup of long-range PLO weaponry in southern Lebanon. In July 1981, the PLO unleashed a 2-week barrage of rocket and artillery attacks against the civilian towns and villages in Israel's north. Since the cessation of hostilities, the PLO buildup has continued unabated. Now reorganized as a terrorist army, the PLO has an arsenal comprising mobile rocket launchers, tanks, and long-range 122mm and 130mm artillery. Secretary Haig admitted on February 5, 1982, "It is true that there are reports of levels of both tubed artillery and rocketry moving through Lebanon to the Palestinian forces in southern Lebanon." [See Appendix III, "The PLO Buildup in Southern Lebanon."]

Also in Lebanon, Israel continues to be confronted with six batteries of Syrian SAM missiles, missiles that effectively shield part of the PLO buildup and that have the potential to mask a Syrian troop mobilization in the Beka'a Valley. The missiles remain in place, despite Secretary Haig's call on July 20, 1981 for restoration of the "status quo ante."

The Syrian threat to Israel continues to grow, beyond the two Syrian divisions now in Lebanon. Syria's late-model tank force of 3,700 tanks equals the combined forces of Great Britain, France and Italy. Syria's air force flies the most modern Soviet aircraft, including Mig-23, -25 and -27. In the last year the Soviets provided Syria with two Tu-126 AWACS. Syrian military exercises indicate that the Syrian army has learned important lessons since the Yom Kippur War in battlefield coordination and management. On several occasions, war games were conducted in conjunction with U.S.-supplied Jordanian and Saudi aircraft.

Jordan, too, looms larger today in Israel's threat analyses. Its cooperation with Iraq in the Iranian-Iraqi war, particularly the dispatch of Jordanian soldiers to the front, shows again King Hussein's inability to stay out of someone else's fight—a bad habit he revealed in both the 1967 and the 1973 Arab-Israeli wars. Hussein's four army divisions are now fully mechanized, and last year he purchased from the Soviet Union a mobile anti-aircraft system consisting of ZSU radar-guided guns and 20 batteries of SAM 8s.

Those American officials who insist on portraying King Hussein as a "moderate" have been able to excuse his rejection of the Camp David Peace Process as due to shortcomings on the part of the United States or Israel. But his purchase of Soviet equipment and the reported training of Jordanian technicians in the Soviet Union belie his moderate image.

While in the Soviet Union to negotiate the SAM sale in May 1981, he vowed that "Jordan unhesitatingly fulfills its duty in the struggle against Israeli colonialization and occupation of Palestine and other Arab territories [Pravda, May 27, 1981]." In July 1980, the "moderate" Hussein announced to the Islamic Foreign Ministers Conference that "The Islamic nation . . . will not accept the situation of the land of the Prophet's flight to heaven and the cradle of prophets and divine messages [Israel] being the captive of Zionist occupation [Amman Domestic Service, July 11, 1980]."

Despite Jordan's continued rejection of peace with Israel and the recent creation of a joint Soviet-Jordanian military commission, Jordan is seeking—and the

United States is apparently acceding to—the sale of mobile I-Hawk missiles and F-16 or FG aircraft.

Jordan's acquisition of mobile Hawk missiles will increase the danger of Jordanian involvement in new Arab-Israeli hostilities. Specifically, the missiles will give Jordan the opportunity to launch an attack across the Jordan River under an anti-aircraft missile umbrella. Jordanian objectives would not necessarily be the capture of the West Bank, but the establishment of a beachhead several miles wide on the West Bank. In addition, I-Hawks placed along the Jordanian-Israeli border would threaten approximately one-third of Israel's airspace. [See Appendix IV, "Arms Sales to Jordan."]

Mr. Chairman, such a sale to Jordan presents a significant threat to Israel. And when viewed as part of other sales to the region, particularly to Saudi Arabia, the sale becomes part of an ominous warcloud gathering on Israel's eastern border. Since 1973, Arab states have purchased more than \$100 billion of weaponry, most of it from the United States. [See Appendix V, "Arms Sales to Arab States."]

It should be noted that although Israel accepts a quantitative disadvantage in relation to its neighbors, that gap is growing at a rate where quantity itself is already eroding what Israel has left of a qualitative advantage.

Saudi Arabia has now emerged as a major confrontation state on Israel's eastern front. On March 24, 1982, the Chief of Operations of the Department of Defense's Near East Division, Homer McKalip, told the House Foreign Affairs Committee that the U.S. sales to Saudi Arabia since 1976 amounted to more than \$42 billion, with \$12 billion of that in the last year alone.

A relatively small military force just a few years ago, Saudi Arabia has acquired armament in both quantity and quality and is becoming a potent military force. Last year's sale of AWACS aircraft and offensive enhancement equipment for the 62 F-15s Saudi Arabia has already ordered will give an Arab army for the first time equipment more advanced than that in Israel's arsenal. Despite presidential pledges to the contrary, these U.S. sales clearly diminish Israel's technological edge.

But perhaps even more threatening and alarming to Israel is the fact that the sale of weapons to Jordan and Saudi Arabia and the relaxation of restrictions on the sale of aircraft to Iraq, Syria and South Yemen have come without any political or diplomatic recompense. To many an observer, the unlimited, reckless pursuit of arms sales is not the proper and responsible means to achieve the sound goal of strategic consensus. To quote an unnamed, ungracious but candid Saudi general, "You [Americans] are just arms salesmen; we [Saudis] pay cash."

This attitude is both alarming and instructive. Middle East states have come to expect much from us and offer nothing in return. The Arab states have redoubled their efforts to pull Egypt away from the peace process. They have increased their political, diplomatic and economic warfare against the Jewish state. They have consistently thwarted U.S. plans, hopes and goals.

Saudi Arabia's actions exemplify this hostility. The Saudis have refused to participate in any way in U.S. defense planning for the region; they have rejected U.S. bases or facilities on Saudi soil; they continue to call Israel their greatest enemy, not the Soviet Union. Saudi Arabia has attempted to pull Oman away from closer cooperation with the United States. The Saudis continue to wage war against the Camp David peace process, with one leader saying recently that the only good thing to come out of Camp David was "the death of Sadat [New York Times, February 9, 1982]." Saudi petrodollars still fund the radical Arab rejectionist front and the terrorist PLO.

It is not just the reckless arms sales that endangers Israel. It is also the reckless abandon with which these sales are conducted. No demands, no punishments have been meted out to these Arab extremists, only blandishments and arms.

ISRAEL'S ROAD TO PEACE

Despite the threats from its neighbors and the sometimes irresponsible and reckless actions of the United States in the past year, Israel stands committed to carrying out her responsibilities of the Egyptian-Israeli Peace Treaty and the Camp David Accords.

This month, Israel will withdraw from the last remnant of the Sinai and the safety it afforded Israel. Amid great anxiety and true national trauma, Israel

will relinquish the last of its airbases, settlements, towns and training grounds in the Sinai.

No one can predict whether the dream of peace envisioned by Anwar Sadat and Menachem Begin will grow into a peaceful reality under Egypt's new leadership. Indeed, there are signs already that Egypt is reluctant to allow peace to grow fully. Nevertheless, the withdrawal will be completed, and Israel will be militarily weaker, and maybe closer to peace, for it.

Thus, let no one charge that Israel is expansionist, recalcitrant, or intransigent. When offered full recognition as a nation among nations, when given an Arab neighbor willing to make peace, Israel will carry out every sacrifice necessary to achieve peace. At the same time, when its very existence is threatened, when its citizens are denied the right to live peaceful, full lives, Israel will take every measure necessary to protect its security.

Besides the price in security Israel will pay by withdrawing from the Sinai buffer, the withdrawal will also cost Israel an estimated \$17 billion in facilities, infrastructure, oil development, and investment left behind, and \$5 billion for new airfields, bases, depots, support facilities and early warning emplacements that must be reconstructed. [See Appendix VI, "Israel's Price for Peace."]

The cost of withdrawal and relocation has been paid in part by generous U.S. assistance, but most of the expense is borne by Israel's citizens who are already among the highest taxed people in the world.

Israel's people also bear the cost for another aspect of the Camp David agreement, and that is in the search for a solution to the Palestinian Arab problem on the West Bank and Gaza. The Israeli Government and people do not seek the role of an occupier in these territories. The territories came into Israeli hands as a result of Jordanian aggression in 1967. The continued Israeli control of the region comes only partially from a desire to retain the unity of the Land of Israel which some profess and the fear of surrendering the strategically vital high grounds that once gave Arab gunners the ability to rain death and shrapnel upon Israel's centers of population—a fear all Israelis possess.

The control also comes by default, from the total rejection by Jordan and the PLO of any recognition, negotiation or compromise with Israel.

To a large extent, the recent rioting in the territories reflects the Jordanian and PLO attitudes and attempts to incite the territories' inhabitants. [See Appendix VII, "Background to West Bank Turmoil."]

Attention and criticism are sometimes given to Jewish life on the once Jewish-rein West Bank. But too little attention is given to the cost to Israel for the services it has extended to the Arab residents of the West Bank and Gaza. The State Department Reports on Human Rights for the last 3 years attest to the rising standard of living in the regions, the increasing agricultural yields, the improved health care and higher educational levels. To be sure, the situation is far from ideal, but in the absence of Jordanian negotiators called for at Camp David and in the presence of PLO terrorism and incitement against Israeli civilians and Arab moderates, alternatives are rare, and the Israeli public bears the military and economic costs.

ISRAEL'S ECONOMY

Thus, Mr. Chairman, Israel pays for peace, and it pays for defense.

The Middle East arms race has a direct and devastating impact on Israel's economy. About 25 percent of Israel's GNP goes to defense, compared to approximately 6 percent in the United States. Much of Israel's outstanding debt is for repayment of defense related loans.

Following earlier withdrawals from Sinai, Israel has had to buy its oil from Egypt (at a cost of \$400-\$500 million per year); Mexico and on the spot market. OPEC oil has been shut off by the Arab boycott and Arab pressures on non-Arab OPEC members. Once, Israeli oil needs were almost totally met by the oil from the Sinai fields. Israel's oil import bill this year is estimated at approximately \$2.5 billion—roughly equivalent to this year's foreign aid bill and to Israel's projected balance of payments deficit.

Israel has enacted broad and stringent austerity measures that have helped cut Israel's inflation rate from the 1980 high of 133 percent to approximately 100 percent in 1981. But Israel's foreign debt continues to climb, from \$15.5 billion in 1979 to \$17.4 billion in 1980 to \$18.2 billion in 1981. An additional deficit of \$2-\$2.5 billion is now projected for 1982.

The \$2.5 billion contained in this foreign aid appropriations bill will help alleviate much of the strain on the Israeli economy, but allow me to remind this

committee what it also does for our own U.S. economy. Unlike most other recipients, Israel will spend all the funds allocated in this bill here in the United States. Monies granted and borrowed under the military assistance program are spent here, and Israel's civilian imports from the United States will be nearly double the amount of economic aid Israel is to receive. The results are more American jobs and exports, and a stronger American economy.

The \$2.5 billion is indeed generous, but we express to this committee our concern over the Administration's attempt to cut \$50 million in FMS forgiveness and \$260 million in ESF grant assistance for fiscal year 1983 recommended by this Committee and approved by Congress and signed into law by the President. We urge this Committee and Congress to block this effort.

While the Administration has also requested an additional \$300 million in FMS loan credits for Israel, none of this amount is to be forgiven. This new loan authority is intended to help finance Israeli aircraft purchases that were made necessary by the new security requirements mandated by the sale of F-15 offensive enhancement equipment and AWACS to Saudi Arabia.

We urge this Committee and Congress to forgive the entire \$300 million. The 1982 "AID Report on the Israeli Economy and Debt Repayment Prospects" states that each \$100 million of FMS loans costs Israel \$22.65 million per year in debt service, or more than \$550 million over the life of the loan. Thus the loans to help offset the Saudi arms package will cost Israel about \$1.6 billion. Already this year debt service to the United States will amount to approximately \$800 million, exceeding the total ESF grant assistance Israel receives from the United States.

Clearly, Mr. Chairman, Israel cannot afford to engage in a war of economic attrition against Saudi Arabia and the other Arab confrontation states—a war which the Arabs can win without firing a shot. Unless the United States provides military assistance to Israel on terms it can bear, Israel will simply not be able to afford to purchase the military equipment it needs to offset the sale of sophisticated United States, European and Soviet arms to Saudi Arabia and other Arab confrontation states. The failure to provide concessional assistance would cast serious doubt on our commitment to preserve Israel's qualitative edge, as promised on several occasions by President Reagan before and after the AWACS and F-15 enhancement sale.

The form this additional \$300 million assistance takes will send an important political message to an increasingly anxious Israel. Newsweek, in its April 5 issue, for instance, finds a political "tilt" in the fact that the Administration's fiscal year 1983 foreign aid proposal calls for higher actual outlays for Egypt than for Israel. The Administration suspension of the Memorandum of Understanding and its attempt to repeal grant aid will also be seen as harmful political signals.

Mr. Chairman, now that Israel must bear a greater military expenditure burden than before, along with the high social, political, security and economic costs of the Sinai withdrawal, the United States should be taking actions to improve, not worsen, that burden and which strengthen, not call into question, the extent of the U.S. commitment to Israeli security.

We urge the Committee to take these factors into account as it reviews the fiscal year 1983 Foreign Assistance Act. While we understand the budgetary constraints under which this Committee must operate, we believe this issue is closely tied to stability in the Middle East and to future hopes for a more comprehensive and lasting peace in the region—a small budgetary price to pay.

Thank you very much.

APPENDIX I

RED BRIGADE—PLO LINKS

"The heart of the Russians' strategy is to provide the terrorist network with the goods and services necessary to undermine the industrialized democracies of the west . . . and, as Italy's Red Brigades have made clear, the ultimate objective is the 'supreme symbol of multinational imperialism,'—the United States."—Claire Sterling, New York Times, March 1, 1981.

The rescue of Brigadier General James Dozier, the capture of Red Brigade members and the uncovering of their arms caches have revealed in vivid detail the links between the Brigade and the PLO. These links have long been known and documented.

Palestinian arms have been supplied to the Red Brigades according to numerous accounts, including confessions of apprehended Red Brigade leaders. These weapons include Soviet RPG-7 anti-tank missiles and SA-7 anti-aircraft missiles.

Red Brigade members have been trained in Palestinian camps in South Yemen and Libya.

The PLO and the Red Brigades have cooperated in terrorist actions inside and outside Italy. This cooperation extended to the selection of targets and included the Red Brigades' single most spectacular action, the kidnapping and assassination of Aldo Moro in 1978.

THE EVIDENCE: PALESTINIAN ARMS SUPPLIED TO THE RED BRIGADE

Economist Foreign Report, February 13, 1980, "Three members of the Italian Red Brigade had been arrested in Italy in possession of SAM-7 surface-to-air missiles supplied by the PLO and smuggled into Italy on board a Lebanese vessel. . . . PFLP did not deny involvement in arms smuggling."

Corriere della Sera, April 16, 1980; La Repubblica, April 16, 1980; La Stampa, April 19, 1980—cited by Claire Sterling, *The Terror Network*: "By the late 1970's all the arms reaching the Italians, of whatever make or provenance, save those taken from policemen and carabinieri, were coming from a single distribution center stocked by Palestinian formations."—Patrizio Peci, Red Brigade Turin Column Commander and Member of the High Strategic Command.

Associated Press, December 24, 1980: "Some jailed Italian terrorists have turned on their comrades, tipping police to the whereabouts of suspected Red Brigades' urban guerrillas, police sources say."

Italian authorities also reportedly have obtained evidence that the Red Brigades obtained most of their arms from extremist factions in Yasser Arafat's Palestinian Liberation Organization.

Italian police have long suspected that Palestinian groups have given arms to Italy's guerrillas, but the new disclosures offer the strongest evidence to date to support their suspicions, the police sources said.

"The Rome daily newspaper *Il Messaggero* and the Rome weekly magazine *L'Espresso* quoted the informers as telling magistrates that the PLO has given automatic rifles, bazookas, explosives and other weapons to the Red Brigades and Front Line, another leftist group with close ties to the Red Brigades. . . .

"The Red Brigades have relations with the PLO, not with the (PLO's) leader, but at lower levels. But the (PLO) leaders know about these relations, otherwise they would never have given us the arms," imprisoned terrorist Patrizio Peci was quoted by *L'Espresso* as saying in two pages of testimony to investigating magistrate Giancarlo Caselli."

The Terror Network, Claire Sterling, 1981: "The Red Brigades Patrizio Peci, formerly of their high strategic command, had linked the PFLP more directly to the Moro tragedy in his marathon confession. Describing two yachting trips to the Middle East to pack up Palestinian weapons, he had revealed that the Czech-made Skorpion used to murder Moro was consigned to the Brigades' Rome column commander, Matio Moretti, six months before Moro was kidnapped. It seems worth repeating, in this context, that Moretti's second large consignment of Palestinian weapons—machine guns, heavy Energa anti-tank mines, grenades, SAM-7 Strela missiles, was shared with the IRA Provisionals, the Basque Etarras, and the German Terrorist underground after Moretti landed in Venice."

Associated Press, November 8, 1981: "Two members of the Leftist Red Brigades who have turned state's witness say they received a shipment of submachine guns and hand grenades from Palestinian guerrillas in Italy, according to court records. Carlo Bozzo and Gianluigi Cristiani told prosecutor Leonardo Bonsignore they met with several dissent members of the PLO in Mestre, near Venice."

Cristiani told investigators, "Within the organization (PLO) there was a certain group of both low and high level officials, military commanders, who were in favor of it."

State Department Briefing, January 28, 1982: "Red Brigade arms have been coming through the Arab World"—Frank H. Perez, Deputy Director of the Office for Combatting Terrorism and the head of the Dozier Working Group.

It was also mentioned at the briefing that the Red Brigade's arms, RPG-7's, an anti-tank missile, and SA-7's, were of Soviet manufacture with Palestinian modifications.

RED BRIGADE TRAINING IN PLO CAMPS

London Daily Telegraph, June, 1980: Robert Moss reports several hundred members of various foreign underground organizations are undergoing training in a Syrian camp known as Hamuriah Camp. Participating are six members of the Red Brigades.

The Terror Network, Claire Sterling, 1981: Describing a South Yemeni camp for training terrorists described by Basque members of the ETA:

"Whoever else had been there from Europe, the Italians had been among them. Habash's second-in-command, Bassam Abu Sharif, assured an Italian weekly, after the Spanish Basque story broke that 'the PFLP has taken a assortment of Italian comrades and other nationalities into our camps' (at Hauf, Mukalla and Al-Gheida). He had no idea 'whether, by chance, some Italian comrades from our camps went on to join the Red Brigades.' He should have known, though. Bassam Abu Sharif himself headed the PFLP's liaison committee with the Italian Red Brigades—confidentially in August, 1978. The report, numbered 050714 was turned over in 1980 to a parliamentary commission investigating Aldo Moro's death."

Associated Press, Dec. 23, 1981: "Italian prosecutors suspect some members of the Red Brigades may have received training in PLO guerrilla camps in Lebanon."

State Department Briefing, Jan. 28, 1982: Acting Director of the Office for Combating Terrorism and head of the Dozier Working Group, Frank H. Perez: Red Brigade members "may have been trained in Libyan and South Yemeni camps."

JOINT PLO-RED BRIGADE ACTION

"Carlos, Portrait of a Terrorist," by Colin Smith, 1976: "The Red Brigade was one of many Italian anarchist groups . . . They had no liaison people in Paris, but the PFLP seems to have found it worthwhile to have some contact with them because of the frequency with which Palestinian terrorist teams entered Europe from the south. The Red Brigade also cooperated in the selection of targets from time to time. The raid Boudia (Mohammed Boudia, an Algerian PFLP operative) led on the oil refinery in Trieste (on Aug. 4, 1971) was a good example of this."

Federal Broadcast Information Service, Cairo MENA, April 27, 1978: Press Conference by Attorney General Ibrahim al-Qalyubi revealing a plan to assassinate "members of one of the joint Egyptian-Israeli committees formed within the framework of the recent peace efforts." Swiss and Palestinian terrorists were apprehended in Egypt on April 26.

"Counsellor Ibrahim al-Qalyubi said the members of the terrorist organization (the Khat Fatah as-Sahih, a breakaway group of Fatah) were preparing to contact the Italian Red Brigades organization to involve it in the implementation of a terrorist operation in Switzerland which would have massive repercussions in the Arab world."

Avanti, August 8, 1978: The name of the PLO was linked with the murder of Aldo Moro when his murderers found refuge in a PLO camp in Lebanon where they issued statements about the murder.

Economist Foreign Report, February 13, 1980: "Italian security experts are convinced . . . that the murderers of Aldo Moro had links with the PFLP."

THE PLO AND THE RED BRIGADES IN ITALY

The recent notoriety the "Red Brigades" achieved by kidnapping U.S. General Dozier renews interest in the strong links and close cooperation between Italian terrorists and the PLO. The alliance between PLO terrorists and the Red Brigades includes not only operational coordination, but paramilitary training and ideological support.

OPERATIONAL COORDINATION

It has long been established that the PLO maintains a complex network of relations with all the main violent dissident organizations throughout the world. In exchange for providing these organizations with financial aid, training facilities, instructors and arms, the PLO receives cover and logistical assistance for its terrorists outside the Middle East. Occasionally, this cooperation is mani-

feasted in joint operations carried out by members of one of the groups together or in coordination with members of the PLO. The Red Brigades are, in this context, a leading ally of the PLO, and particularly, the "Popular Front for the Liberation of Palestine" faction of the PLO.

On March 30, 1978, for example, Italian newspapers reported that the Red Brigade kidnappers and killers of Italian Prime Minister Aldo Moro were almost certainly aided by PLO terrorists. Moreover, a New York Times Magazine exposé, published on November 2, 1980, states:

"The relationship of the Popular Front for the Liberation of Palestine with underground revolutionary groups in Italy extends beyond use of the Italians' transit facilities and logistical backup for Palestinian operations. On November 7, 1979, Italian police stopped a speeding car on a highway along the Adriatic coast. They found that the occupants of the vehicle, both members of the Red Brigades, were carrying two SAM-7 missiles. The weapons had originated with the PFLP, which had smuggled them into the country on board a small Syrian-crewed ship, the Sidon. Italian security experts believe that the captured SAM-7s were destined for use against Italian political targets, even through the PFLP put out a statement claiming the arms were being transported elsewhere."

PLO-Red Brigade coordinated activity has been noted outside Italy as well. On April 26, 1978, the Egyptian Attorney General expressed the existence of a terror network in Egypt, which included in its ranks a number of Red Brigade members and was coordinated by "Abu Nidal," a prominent Palestinian terrorist leader.

PARAMILITARY TRAINING

According to a report in the January 30, 1980 edition of the International Herald Tribune, the Red Brigades receive training in the use of Soviet-made SAM-7 anti-aircraft missiles at the Abou Ali Ajad terrorist training center in Iraq. The report was based on an interview with the head of the Italian government's office of security and public order, who stated that "right now the most active terrorist training centers are in the Middle East, especially Iraq." He added that these terror camps are staffed by Cuban, East German, and Palestinian instructors.

In *The Terror Network*, a study of international terrorism, author Claire Sterling makes mention of Red Brigade participation in "a kind of postgraduate school of international terrorism" located in South Yemen, and hosted by "George Habash and his military commander, Wadi Haddad, of the Marxist Popular Front for the Liberation of Palestine." Sterling provides further evidence of the Red Brigade-PLO alliance in an interview she conducted with Patrizio Peci, a former member of the "High Strategic Command" of the Red Brigades. Peci revealed that virtually all the arms reaching the Red Brigades were "coming from a single distribution center stocked by Palestinian formations." This was further substantiated in testimony Peci gave before an investigating magistrate, published in *L'Espresso* on December 21, 1980, in which he stated:

"As far as the Palestinians are concerned, the Red Brigades have relations with the PLO. Not with the highest levels, but with the lowest ones. Nevertheless, the leaders are aware of these relations, otherwise they wouldn't have given us the arms. . . . We actually got from the PLO a supply of arms, explosives, plastic hand grenades, heavy machine-guns, and sterling machine-guns, three-quarters of which were intended for us, while we of the Red Brigades were supposed to keep the remaining fourth in stock, available for the PLO for possible use in Italy. . . . I want it to be clear that when I spoke of Palestinians and the PLO, I meant the Palestine Liberation Organization, headed by Arafat."

APPENDIX II

[From the Wall Street Journal, Jan. 14, 1982]

ARAFAT SAYS PLO AIDS FOREIGN GUERRILLA UNITS

PILOTS SAID TO BE SERVING IN NICARAGUA, AND TROOPS IN EL SALVADOR, ANGOLA

Palestinian leader Yasser Arafat, in a speech in Beirut last weekend, said that guerrillas from the Palestine Liberation Organization are serving in Nicaragua, El Salvador and Angola.

In New York, the Nicaraguan delegation to the United Nations categorically denied the statement. In Washington, a spokesman for a joint commission of El Salvador rebel organizations said he didn't have enough information to comment. Angolan spokesmen couldn't be reached.

Mr. Arafat's comments appear to confirm some elements of a U.S. State Department paper that claimed that the guerrilla movement in El Salvador was supported by Soviet allies, such as the PLO. The paper was criticized after its release for allegedly sloppy documentation.

Mr. Arafat mentioned the PLO presence in the three countries during an address to the General Federation of Palestinian Writers and Journalists, which was meeting in Beirut to celebrate the 17th anniversary of Mr. Arafat's guerrilla movement, Al Fatah.

Mr. Arafat, in a passage of his speech emphasizing the links between the Palestinian revolution and other "national liberation" groups around the world, said that PLO pilots were serving in Nicaragua, and that other PLO guerrillas were in El Salvador and the African nation of Angola.

"The Palestinian identity is one of revolutionary struggle and universal in its character, a racist movement," Mr. Arafat said in citing the involvement in the three countries.

The PLO leader didn't explain what the pilots and guerrillas were doing, and other PLO officials in Beirut refused to elaborate on his comments. But Palestinian sources in Beirut said that relations between the PLO and the revolutionary movements in Latin America are more than a decade old, and include various forms of military support.

The U.S. paper also asserted that a Salvadoran guerrilla leader had met with PLO officials in Beirut in August and November 1980, and that "the PLO has trained selected Salvadorans in the Near East and in Nicaragua."

In Washington, the State Department hadn't any comment on PLO activity in Nicaragua, El Salvador and Angola, saying it had only seen news reports and was awaiting more information.

Mr. Arafat's reference to the presence of PLO pilots in Nicaragua was denied by a Nicaraguan diplomat in New York.

Alejandro Bendana, deputy ambassador for Nicaragua to the United Nations, said, "There aren't any Palestinian pilots in Nicaragua. We don't have any guerrillas in Nicaragua any more except for the Samozistas (opponents of the current government). The only people in the regular army and the regular air force are Nicaraguans, and we don't have much of an air force to speak of." He said that Nicaragua is one of nearly 100 countries that recognize the PLO and that the PLO has an office in Managua with which his country has "the best of relations."

A PLO delegation visited Nicaragua and arranged a \$12 million loan to the regime, according to the sources. "Since then, we have exchanged several visits," said one Palestinian source.

The sources didn't provide any elaboration of Mr. Arafat's comment about PLO assistance to Angola, which has also received help from Cuban forces in its civil war against pro-Western guerrillas.

Palestinian Link

Palestinian sources said that PLO relations with the rebels in El Salvador are "relatively deep rooted" because the leader of the Communist Party there, Shafik Handal, is of Palestinian origin. His father is said to have emigrated to El Salvador in 1921 from Bethlehem, in the West Bank area currently occupied by Israel. Mr. Handal's Salvadoran Communist Party is one of five organizations forming the Farabundo Marti rebel coalition that has been battling government forces there.

Sources in Beirut said that Mr. Handal visited Lebanon last March at the invitation of the Democratic Front for the Liberation of Palestine, an avowedly pro-Soviet group under the PLO umbrella. Mr. Handal was also welcomed by other PLO groups, including Mr. Arafat's Fatah.

While in Beirut last March, Mr. Handal said that about 2,000 residents of El Salvador were of Palestinian origin. "I wouldn't be revealing a secret if I say that there are some in our revolutionary cadres who are Arabs," Mr. Handal is said to have told one PLO gathering. He may have been referring to second and third-generation immigrants living in El Salvador, such as himself. The Salvadoran rebel also charged during his visit to Beirut that Israel had been sending military technicians to assist the army of El Salvador.

These Beirut disclosures paralleled some of the information in the State Department paper. That document alleged that Mr. Arafat met the Salvadoran guerrilla leaders in Managua, Nicaragua, on July 11, 1980, and promised them "military equipment, including arms and aircraft."

APPENDIX III

PLO BUILDUP IN SOUTHERN LEBANON

In the last year, forces of the Palestine Liberation Organization (PLO) have undergone an alarming transformation from a terrorist force to a full-fledged terrorist army. With its heavy artillery, tanks, armored personnel carriers, and barrage rockets, the PLO unleashed two weeks of attacks against Israel's northern towns in July 1981. In recent months, however, the PLO has exploited the cessation of hostilities by escalating its arms buildup of new Soviet supplies of tanks, artillery and rocketry.

On February 5, 1982, Secretary of State Haig confirmed the PLO buildup. "It is true that there are reports of levels of both tubed artillery and rocketry moving through Lebanon to the Palestinian forces in southern Lebanon," he told a press conference. "We view the provision of such armaments to Palestinian elements in southern Lebanon as an aggravation of the efforts we have been engaged in to prevent the outbreak of conflict."

On the same day, the Kuwait News Agency reported from Damascus that "the Soviet Union has recently supplied the Palestinian resistance (PLO) with \$50 million worth of sophisticated weapons. . . . This arms deal is the result of the talks which Yasir Arafat, leader of the PLO, held in Moscow last October."

Last July, Ahmed Jibril, leader of the Popular Front for the Liberation of Palestine (PFLP) told the Lebanese *As Safir* that the PLO forces had received "hundreds of millions of dollars" worth of heavy weapons from the Soviets. (New York Times, July 22, 1981)

Armament has also been supplied by Libya, Syria and Saudi Arabia. The PLO arsenal now includes:

T-54 AND T-55 TANKS

The PLO has an estimated 70-80 of these tanks (AP, Feb. 11, 1982; July 23, 1981) as well as 60 older T-34 tanks. These main battle tanks are equipped with 100mm guns and carry approximately 40 rounds of ammunition.

CANNON

The PLO now has an estimated 500 artillery pieces (AP, Feb. 11, 1982). The artillery includes 130mm cannon with 17-mile range, 122mm, 105mm and 85mm.

SAM MISSILES

The PLO is now equipped with Soviet and Libyan-supplied SAM 9 batteries and large numbers of SAM 7s.

ARTILLERY ROCKETS

The PLO has now deployed large numbers of BM-21s—Katyusha, 40-round multiple rocket launchers. These 122mm rockets, with a 12-mile range, are mounted on wheeled vehicles for rapid deployment. During the summer of 1981, hundreds of these rockets rained down on Israeli towns and villages. Were it not for the extensive network of underground shelters in northern Israel, the loss of civilian life would have been tremendous.

Since the July 24, 1981 cessation of hostilities, the PLO has not only received and deployed new arms, but it has also rebuilt forward positions and headquarters and constructed new bunkers (AP, September 3, 1981). PLO terrorist bombings, incursions and assassinations have continued. Five terrorists attempted to cross into Israel from Jordan in late January; three of them were captured and two escaped back to Jordan. They admitted that their mission originated in southern Lebanon. In early March, another three terrorists were caught trying to infiltrate along the Lebanon border.

APPENDIX IV

ARMS SALES TO JORDAN—F-16's AND I-HAWKS

The Reagan Administration is considering the sale of F-16 fighter-bombers and Improved Hawk surface-to-air missiles to Jordan. While Administration officials have denied that a final decision has been made, they confirm that the sale was discussed by King Hussein and Secretary Weinberger.

Congress, undoubtedly, will seek clarification and will raise the following questions:

Does Jordan require such sophisticated weaponry?

Will acquisition of such equipment increase the likelihood of Jordanian involvement in future Middle East conflicts?

Does the sale violate U.S. commitments to maintain Israel's qualitative military advantage?

Does the sale imperil the security of advanced U.S. military technology?

Has Jordan lived up to U.S. expectations in Middle East peace negotiations?

Is the United States providing the equipment because of a Jordanian threat to seek Soviet arms?

Will the sale further destabilize the Middle East?

THE EQUIPMENT

The F-16 is a single-engine, highly maneuverable fighter bomber capable of carrying two anti-aircraft missiles, 20-mm cannon and over 10,000 pounds of bombs, rockets or fuel pods. Capable of Mach-2 speeds, the F-16 has a refueling capability giving it virtually unlimited range. The F-16 is a top-of-the-line, state-of-the-art aircraft. The only other nations in the Middle East possessing the F-16 are Egypt and Israel.

The Improved Hawk (I-Hawk) is considered to be one of the most sophisticated, reliable and maneuverable missiles in the world. Hawk missiles, flying at supersonic speed, are effective against the full spectrum of tactical aircraft and are capable of evading electronic countermeasures (ECM). The missile guidance system is also considered state-of-the-art.

Although anti-aircraft missiles are often considered defensive in nature, the I-Hawk's range of 25 miles and its exceptional effectiveness against aircraft at both low altitudes and maximum tactical heights give the I-Hawk a potent offensive capability as well. With devastating effectiveness, Arab armies in 1973 used their mobile surface-to-air missiles to cover the surprise attack on Israeli lines in the Sinai and Golan. Scores of Israeli aircraft were downed or damaged as they tried to protect Israeli front lines and push back the invading armies.

JORDANIAN-ISRAELI RELATIONS

In 1948, 1967, and again in 1973, Jordanian armed forces participated in the wars against Israel. In the 1967 Six-Day War, Jordan's King Hussein ignored American and Israeli warnings against joining the war. His troops fired on the Israeli side of Jerusalem; Israel counter-attacked and captured both Arab Jerusalem and the Jordanian-held West Bank of the Jordan River. In 1973, Hussein, citing the lack of an air defense system, refused to attack Israel directly. Instead, he dispatched his crack 40th and 60th Armored Brigades to the Golan Heights where they attacked Israeli positions.

In September 1978, the leaders of the United States, Egypt and Israel concluded agreement on the Camp David Accords which explicitly invited Jordan to participate in the negotiations on the West Bank.

King Hussein rejected the Camp David Accords and joined the Arab Rejectionist Front. At the first Baghdad Arab Summit, Hussein supported the resolution which called on Egypt "not to sign any reconciliation with the enemy." In March 1979, Jordan voted for the second Baghdad Summit resolutions which accused Egypt of "collusion with the United States" and "standing by the Zionist enemy." The second summit demanded that all Arab states improve diplomatic and economic relations with Egypt. Jordan quickly complied.

In May 1981, King Hussein paid his third and latest visit to the Soviet Union. While there he thanked his Soviet hosts for their assistance and for "developing and consolidating the relations between our countries in the spheres of economy, culture, and technical cooperation at all levels." [Pravda, May 27, 1981]

Negotiations on the purchase of \$200 million worth of 20 batteries of mobile SAM-8s were believed to have been concluded during Hussein's Moscow visit.

More ominously, however, Hussein in his Kremlin speech attacked Israel's very right to exist—not just Israel's acquisition of territories after the 1967 war. "Jordan unhesitatingly fulfills its duty in the struggle against Israeli colonialization and occupation of Palestine and other Arab territories," Hussein declared to the Soviets.

Hussein defined the Israeli "occupation" as the "seizure of the entire territory of Palestine . . . and occupation of other parts of our Arab land adjoining Palestine [presumably, Sinai and Golan]."

"In July 1980, King Hussein betrayed the 'moderate' mantle he wears in the American and western press. Addressing the Islamic Foreign Ministers Conference in Amman, the king repeatedly attacked 'the invaders, the Zionist onslaught.'

"The Islamic nation and the just believers in any religion and creed will not accept the situation of the land of the Prophet's flight to heaven and the cradle of prophets and divine messages being the captive of Zionist occupation," Hussein declared.

"With the support of the imperialist forces and the collusion of the world centers of power, Zionism continues its attacks and plans of gathering Zionist diehards from all countries of the world and dumping them in Palestine—the heart of Arabdom and Islam. . .

"Zionism's illegitimate and inhuman practices are present before your eyes. . . . Zionism is unjustly and blatantly occupying the land; killing the occupants before everybody's eyes; chasing, terrifying and expelling them, usurping and Judaizing the Arab land; and obliterating the Islamic civilization."—Amman Domestic Service, July 11, 1980.

JORDANIAN MILITARY CAPABILITY

In the face of Jordan's rejection of peace with Israel and refusal to participate in the Camp David process, Jordan remains a confrontation state facing Israel along a border in excess of 200 miles. If equipped with F-16s and I-Hawk missiles, Jordan will loom large in Israel's threat analyses in the event of increasing tension in the region.

Jordan currently possesses 80 F-85 fighter planes and has ordered 36 French-made Mirage F-1s. Its army consists of at least four fully mechanized armored and infantry divisions equipped with late model M-60A3s and British-made Chieftains.

Jordan's air defense system already consists of 14 batteries of Hawk SAM missiles (although the Joint Chiefs of Staff recommended only six batteries). Jordan has been provided already with over 500 missiles for the Hawk system. In addition, the Jordanian army possesses 300 REDEYE hand-held anti-aircraft missiles and 100 mobile Vulcan six-barrel anti-aircraft guns. It will soon receive 20 batteries of Soviet Sam-8s.

For air defense purposes, the F-5 now in Jordan's order of battle is considered to be a potent interceptor.

In a one-on-one confrontation, Jordan's forces are no match for Israel's armed forces. But few observers predict such an eventuality. Instead, it is likely that Jordan would once again participate in an eastern front war with Israel, a front consisting of Syria, Iraq, Saudi Arabia and Jordan. The combination of forces is a particularly threatening one, especially after Saudi acquisition of AWACS. Close cooperation between the Saudi and Jordanian airforces, both flying U.S.-made aircraft, is likely.

One scenario presented in such a conflict would have Jordanian armor smash across the Jordan River under an anti-aircraft missile umbrella. Jordanian objectives would not be the capture of the West Bank, but the establishment of a beachhead several miles wide on the West Bank (similar to the one gained by Sadat's armies in the Sinai in 1973) or the surrounding of the southern Israeli port of Eilat in the hope of trading Eilat for other areas.

The range of the Hawk would enable Jordan to menace both military and civilian air traffic over Israeli territory.

In the last two years, Jordan has assisted Iraq's war effort by permitting use of port facilities at Aqaba and the use of Jordanian airfields. In early February 1982, Hussein announced the formation of volunteer brigade of soldiers gathered to fight in the Iraq-Iran war.

Clearly, Hussein is quick and willing to volunteer his army to the service of the "Arab nation." Jordanian possession of advanced arms systems such as the I-Hawk and the F-16 would increase the likelihood of Jordanian involvement in the future Middle East conflicts.

Israel, however, presents no threat to King Hussein or to Jordan—so long as the Jordanians present no threat to Israel. Jordanian-Israeli combat in 1973 took place in Syria, not on Jordanian territory. The fighting in 1967 took place only after Hussein ignored warnings and attacked the Jewish state. Indeed, in 1970, after conferring with the United States, Israel massed armor near the Syrian-Jordanian border to thwart a Syrian invasion of Jordan and to protect Hussein's Hashemite regime.

SECURITY OF AMERICAN TECHNOLOGY

The F-16 and the I-Hawk are front-line American and NATO weapons. With the introduction of Soviet weapons systems and Soviet technicians to Jordan and with increased Iraqi-Jordanian military cooperation, compromise of the U.S. systems is a very real threat.

There is another threat in Jordan, however, and that is to the continued reign of the Hashemite regime. There have already been an estimated dozen attempts against King Hussein's life. An overthrow of the Hashemite king could bring on a radical Palestinian regime.

The Palestinians make up about 60 percent of the Jordanian population. During the 1970 civil war, when Hussein crushed the PLO, thousands of Palestinians were massacred. Bitter vengeance is still vowed by radical Palestinians. The PLO's Ten Point Plan adopted in 1974, for instance, called for "struggle with the Jordanian national forces for the establishment of a Jordanian-Palestinian national front whose aim is the establishment of a national democratic government in Jordan. . . ."

In the words of former President Jimmy Carter, King Hussein is a "weak king of a weak kingdom." [U.S. News, November 9, 1981]

AMERICAN-JORDANIAN RELATIONS

Jordanian policy during the last four years has consistently worked against the stated aims of the United States. Jordan has stubbornly rejected all American enticements aimed at eliciting Jordanian support for the Camp David peace process. Since the signing of the Camp David Accords, the United States has provided Jordan with more than \$220 million worth of artillery, armored personnel carriers, aircraft and ammunition. In return, the United States has received repeated threats from King Hussein that he will turn to the Soviet Union for his arms.

The Jordanian king has used the threat of arms purchases from the Soviets to pressure the United States on several occasions, most notably in 1964 and 1975.

In 1975, Jordan sought 14 Hawk missile batteries. Both Congress and the Administration understood the Arab threat to Israel and the lack of any Israeli threat to Jordan when they agreed to provide Jordan with nonmobile Hawk missiles. As President Ford told Congress on September 17, 1975, this arrangement would "prohibit the placement of the Hawk weapons under any bi-national or multi-national command structure or military force of which Jordan might become a part. . . . [The] planned configuration of the Hawk installations will clearly demonstrate the intent of the Jordanian Government to use the weapons for purely fixed defensive purposes." [Emphasis added.]

Provision of mobile Improved Hawk missiles now would demonstrate the very opposite intention.

The sale of F-16s and I-Hawks will only encourage Jordan, Syria, Saudi Arabia and other Arab states which reject the peace process between Israel and Egypt to continue their rejectionist policy.

When the Reagan Administration pushed through Congress the sale of AWACS aircraft to Saudi Arabia in October 1981, President Reagan assured Israel that the United States was determined "to help Israel maintain its military and technological advantage."

The sale of F-16 fighter-bombers and I-Hawk missiles to Jordan, however, will only further erode Israel's qualitative edge. [Israel has never possessed a

quantitative edge against the Arab states.] At a time of increased tension in the Middle East—a PLO buildup in southern Lebanon, the assassination of Anwar Sadat, and the imminent Israeli withdrawal from the Sinai—this sale is ill-timed and ill-conceived.

CONCLUSIONS

The sale represents a direct threat to Israel's security.

The sale of F-16s and I-Hawks to Jordan will increase the likelihood of Jordanian involvement in future Middle East conflicts.

The sale will imperil the security of advanced U.S. military technology.

The United States appears to be providing the arms because of a Jordanian threat to go to the Soviet Union. The threats cast doubt on Jordan's reliability as an ally.

The sale will undermine the U.S. commitment to guarantee Israel's qualitative military advantage.

Jordan has failed to meet U.S. expectations and interests in joining peace negotiations with Israel.

The sale will further destabilize the Middle East.

APPENDIX V

ARMS SALES TO ARAB STATES

MAJOR MILITARY ACQUISITIONS BY THE ARAB STATES SINCE 1973

[Delivered or on order]

Country	Military items	Amount
Syria	TU-126 Moss (AWACS); Mig-21, 23, 25, and 27 fighter-bombers; Su-7 and Su-20/22 fighter-bombers; T-72, T-62, and T-54 tanks; SA-3, SA-6, SA-7, and SA-9 SAM's; Mi-6, Mi-8, and Ka-25 helicopters; Super Frelon and Gazelle helicopters; BTR-60P and 152 APC's, SCUD missile launchers; artillery; frigates; Milan and HOT antitank missiles.	\$10,500,000,000+
Iraq	Mirage F-1 fighter-bombers; Mig-21, 23, 25, and 27 fighter-bombers; Su-20 fighter-bombers; AMX-30 tanks; T-72, T-62, and T-54 tanks; SA-3, SA-6, and SA-7 SAM's; Mi-6 and Mi-8 helicopters; Alouette 111, Super Frelon Gazelle and Puma helicopters; BTR-60P and 152 APC's; SCUD missile launchers; artillery; missile frigates; HOT antitank missiles; An-12 and 24 transports.	9,000,000,000+
Jordan	Mirage F-1 fighter-bombers; F-5E fighter-bombers; SA-8, Hawk SAM missile system; Cobra and Alouette 111 helicopters; Chieftain 11 tanks; M-113 APC's; Dragon and TOW antitank missiles; self-propelled howitzers.	2,300,000,000+
Libya	Mirage F-1 fighter-bombers; Mig-23, 25, and 27 fighters; Tu-22 bombers; SS-12 missiles; T-72 and T-62 tanks; SA-3 and SA-6 SAM's; Mi-8 and Mi-24 attack helicopters, patrol boats with sea-to-sea missiles, submarines.	7,100,000,000+
Saudi Arabia	Airborne warning and control system (AWACS) aircraft; F-5E and F-15 fighter bombers; midair refueling tankers; AMX-10, AMX-30 and M-60 tanks; Hawk, Rapier and Shahine (Crotale) SAMs; Alouette 111, Westland and Huey Cobra helicopters; M-113 APC's; Matra and Sidewinder AIM-9L air-to-air missiles; Maverick PGM's; Glide bombs and cluster bombs; missile boats, patrol ships, landing craft and hovercraft; TOW Dragon and Vigilant antitank missiles; KC-130 and C-130 transports; air-bases and military construction.	70,000,000,000+
Kuwait	Mirage F-1 fighter bombers; Jaguar fighter bombers; A-4 Skyhawk attack bombers; Chieftain tanks; Hawk, SA-6 and SA-7 SAM's; Gazelle and Puma helicopters; artillery; Frog rockets, HOT, TOW and Vigilant antitank missiles.	1,800,000,000
Morocco	Mirage F-1 fighter bombers, F-5E fighter bombers, OV-10 Bronco; M-60 and M-48 tanks; Chaparral SAM's, Alouette 111, Gazelle and Puma helicopters; M-113 APC's; VAB armored cars; patrol boats and frigates; ENTAC and TOW antitank missiles; C-130 transport aircraft.	1,800,000,000
United Arab Emirates	Mirage V fighter bombers; Hawk, Crotale and Rapier SAM's; Alouette 111 and Puma helicopters; Lion tanks; AMX self-propelled howitzers; Vigilant and TOW antitank missiles.	1,200,000,000
Oman	Jaguar fighter bombers; C-130 transport aircraft; Rapier SAM's; Matra air-to-air missiles; TOW antitank missiles; patrol boats; hovercraft.	725,000,000
Total		104,000,000,000+

MAJOR MILITARY ACQUISITIONS BY THE ARAB STATES SINCE 1973—Continued

[Delivered or on order]

Country	Military items	Amount
Egypt.....	F-16 and F-4 Phantom fighter bombers; Mirage F-1, III, V, and 2000 fighter bombers; Mig-21, 23, and 27 fighter bombers; Su-20 fighter bombers; Hawkeye airborne early warning aircraft; M60, T-62 and T-54 tanks, SA-3 and SA-6 surface-to-air missile systems; I-Hawk, Crotale and Swingfire SAM's; Westland, Commando, Sea King and Gazelle helicopters; M-113, BTR-60P and 152 armored personnel carriers, SCUD missile launchers; artillery; TOW antitank missiles; Otomat missile boats; C-130 transports.	7,700,000,000

Note: SAM—Surface-to-air missile, PGM—Precision guided munitions, APC—Armored personnel carriers.

Sources: International Institute for Strategic Studies, The Military Balance (London), Stockholm International Peace Research Institute (SIPRI), World Armaments and Disarmament (Stockholm), Defense and Aerospace Marketing Services (DMS) Market Intelligence Reports—Foreign Military Markets: Middle East and Africa (Greenwich, Conn.).

ISRAEL'S PRICE FOR PEACE

In return for Egyptian recognition of Israel and the Egyptian signing of the Egypt-Israel peace treaty, Israel agreed to withdraw totally from the Sinai Peninsula. In so doing, Israel is relinquishing tangible strategic and economic assets.

The Sinai, captured in 1967 as a result of Egyptian aggression, is more than 23,000 square miles and has afforded Israel strategic depth, vital military training space, natural defense positions and large quantities of oil.

STRATEGIC IMPLICATIONS

1. Unlike the Arab states, Israel must rely heavily on its civilian reserve forces. The Sinai withdrawal will increase the burden on Israel's relatively small standing army and makes its reserves' mobilization centers more vulnerable to attack.

2. Israeli positions and installations in the Sinai gave Israel accurate advanced-warning of actions on the western side of the Suez Canal and on the eastern coast of the Red Sea and Gulf of Eilat. The early warning stations situated atop high ground cannot be duplicated in the Negev which lacks such topographical characteristics.

3. Israel will no longer have the same capability to patrol the Red Sea and Gulf of Eilat straits. The naval base at Sharm-el-Sheikh gave the Israeli navy the ability to guarantee free passage for its commerce to and from its southern port of Eilat. These international waterways have been illegally blockaded twice by the Arab states. After withdrawal, Israeli naval craft will have to operate from the congested Eilat civilian port—an area with less than five miles of coastline.

4. The Israeli air force is withdrawing not only from two of the most modern tactical airbases in the world—Eitam and Etzion—but also from eight additional airfields in the Sinai. The Sinai also gave the air force large areas for training which will be lost, diminishing the effectiveness of Israel's highly trained pilots—always cited as the qualitative reason for Israeli air superiority. Simulator training or training missions over the Mediterranean Sea cannot duplicate the actual conditions the Israeli air force must prepare for.

5. Similarly, the Israeli ground forces will be handicapped by the loss of training areas in Sinai. The carrying out of coordinated armored maneuvers in the more densely populated and much smaller Negev will be extremely difficult.

6. Israel's ammunition dumps, logistic centers, and military distribution installations can no longer be dispersed over a large geographic region. Instead, they will have to be concentrated in smaller numbers and areas, increasing their vulnerability.

7. Many of the bases and defenses in the eastern Sinai helped to defend not against Egypt but from an eastern front attack by Syria, Iraq, Jordan and Saudi Arabia. Iraq and Syria remain blatantly hostile in the idea of peace with Israel and Saudi Arabia and Jordan have made it clear that they have no intention of joining the Camp David peace process.

PRACTICAL ASPECTS OF WITHDRAWAL

1. In addition to moving the airfields, some one hundred military installations and bases including the complex early warning stations and the Sharm el-Sheikh naval port have been dismantled; literally tons of equipment have been moved; over 2,700 buildings and other structures have been torn down and then rebuilt; several thousand military vehicles have been moved and relocated; and nearly a million mines have been pulled out and will be relaid. All of this being done while maintaining a state of constant military readiness in the face of the remaining hostile Arab states.

2. Because of the topography of the Negev, Israel will not only have to construct new early warning systems, but rely more heavily on costly airborne early-warning, and increase its air defense capability.

3. New port facilities will have to be built to accommodate the Gulf of Eilat and Red Sea naval patrols.

4. Entire new towns will have to be built to accommodate all of the extensive services necessary to support the new airbases and army bases.

5. Thousands of miles of roads, hundreds of thousands of miles of electrical cable, communications systems and pipe will be left for the Egyptians. The same infrastructure will have to be rebuilt elsewhere.

6. Israel spent approximately \$5 billion on exploration and development of oil facilities in Sinai. In returning the oil fields, Israel has lost its oil self-sufficiency, revenue from the possible export of oil, and is now limited to buying its oil from non-OPEC sources or on the spot market and therefore pays higher prices.

7. Israeli settlers in the Sinai must abandon their homes and their flourishing agricultural and business enterprises which they spent years building in the desert.

As a consequence of the withdrawal, Israel will have sacrificed a \$17 billion investment—of which \$12 billion was for the construction of a vast industrial and military infrastructure, and \$5 billion for energy exploration and development. In addition, the cost of relocation to the Negev region is an estimated \$5 billion.

BACKGROUND ON WEST BANK TURMOIL

The tragic events on the West Bank in recent weeks represent more than the throwing of Molotov cocktails and rocks by Palestinian Arab youth and Israeli soldiers defending themselves and shooting back. The turmoil on the West Bank is part of an attempt by radical, pro-PLO forces to subvert the Camp David peace process, block autonomy negotiations, and divert attention away from Israel's forthcoming withdrawal from the Sinai.

The turmoil reflects a basic power struggle emerging on the West Bank (Judea and Samaria), pitting Israel and moderate Palestinians against those opposed to peace, Jordan and the PLO.

BACKGROUND

After Israel captured the West Bank in 1967, the traditional pro-Jordanian middle class leadership was allowed to remain in office. After the Jordanian massacres of Palestinians on the East Bank during the 1970 civil war, West Bank leaders began to distance themselves somewhat from the Hashemite regime.

Nevertheless, for almost 15 years there have continued to be close ties between the East and West Banks. After the 1967 war Israel permitted the opening of bridges between the two banks, and travel between Jordan and the West Bank remains heavy and regular. Jordan continues to pay the salaries of many of the civil servants on the West Bank.

Israel permitted elections on the West Bank in 1972 and 1976, expanding voter participation by enfranchising women and non-land owners. The 1972 election was marked by continuation of the traditional leadership.

The 1976 election was marked by a new radicalism. Between the two elections the Yom Kippur War had erupted and the PLO had been recognized by Arab states as the sole representative of Palestinian Arabs. As a result, many of the traditional leaders stepped aside and radical, pro-PLO Palestinians were elected.

The "Class of 76," rather than being concerned with the well-being and smooth functioning of the municipalities they were elected to serve, were more interested in political sloganeering and fomentation of dissent. Among those elected were

Mohammed Milhem of Halhoul and Fahd Kawasme of Hebron who were both deported after a terrorist attack in Hebron left six Jews dead, and Ibrahim Tawil of El Birah, Bassam Skak of Nablus, and Karim Khalaf of Ramallah who were discharged from office this month.

THE PRO-PLO MAYORS AND THE NATIONAL GUIDANCE COMMITTEE

In 1978, the new mayors, and several other radicals, formed the Committee for National Guidance. The Committee, suspected of being directed by the PLO from Beirut, sought to solidify West Bank opposition to the Camp David Peace Accords and the Egyptian-Israeli Peace Treaty by enlisting newspaper editors and labor leaders. Following the PLO line, the National Guidance Committee opposed any accommodation with Israel.

According to Newsview magazine (March 23, 1982), the members of the National Guidance Committee actually represented various PLO terrorist groups. Mayors Shaka, Kawasme and Milhem represented Fatah; Khalaf represented George Habash's Popular Front for the Liberation of Palestine; and Tawil represented Naif Hawateme's Democratic Front for the Liberation of Palestine.

The deportation of Milhem and Kawasme badly damaged the Committee's power on the West Bank, and earlier this month, in a move to strengthen attempts at regional autonomy as envisaged in the Camp David Accords, the Israeli government formally banned the National Guidance Committee.

THE CAMP DAVID ACCORDS AND ISRAELI POLICY

Egypt, Israel and the United States agreed in September 1977 on a framework for full administrative autonomy for the inhabitants of the West Bank and Gaza. The framework, part of the Camp David Accords, called for "full autonomy to the inhabitants [in which] . . . the Israeli military government and its civilian administration will be withdrawn as soon as a self-governing authority [defined as an "administrative council"] has been freely elected by the inhabitants of these areas to replace the existing military government."

Unfortunately, neither Jordan nor West Bank leaders have been willing to come forward to negotiate arrangements for these transfers of power. Egyptian and Israeli negotiations on autonomy are expected to resume shortly in their absence.

Nevertheless, in a step toward establishing autonomy, Israel has replaced the military government in the West Bank with a civilian Israeli administrator, Dr. Menachem Milson. It should be noted that of the 16,600 administrative posts on the West Bank, over 16,000 are filled by local, indigenous Arabs.

PLO OPPOSITION ON THE WEST BANK

With its National Guidance Committee in disarray and with signs of local acceptance of the Israeli civilian administration, the PLO stepped up its terrorism on the West Bank. According to Israeli officials, 17 West Bank Arabs were assassinated in the last year by PLO operatives. Among those killed was Yusef al-Khatib, a moderate Palestinian Arab who had emerged as a prominent local leader of the Village Leagues.

THE VILLAGE LEAGUES

The major towns on the West Bank comprise only a small portion of the region's population. Approximately 70 percent of the West Bank population live in rural areas and villages. Three years ago village councils established a political rural cooperative organizations called Village Leagues. The Leagues approached Israeli authorities seeking funds and assistance for developing roads, water projects and electricity.

The Village Leagues' status grew among West Bank villagers, and they have now emerged as major competition to the town mayors as a political force on the West Bank. The recent rioting, apparently coordinated by some of the radical West Bank leaders, may be symptomatic of the competition between the National Guidance Committee and the Village Leagues.

In the last three years, five Village Leagues were established near the following towns: Nablus, Hebron, Ramallah, Tulkarem and Jenin. Civil disturbances have been particularly vociferous in these towns. Earlier this month shots were fired at the home of Farhi Issa, a leader of the Ramallah league.

The most prominent Village League leader is Mustafa Dudein, a former Jordanian Minister of Social Affairs and ambassador to Kuwait, from the Hebron area. In an interview on March 12, 1982, Dudein claimed that the leagues were "attracting more and more people . . . they feel that the leagues are the sole institutions which are rendering services to them."

JORDAN'S ROLE

On March 9, 1982, Jordan's Prime Minister Mudar Badran issued a decree against any West Bank Arab associating with the Village Leagues:

"Anyone who remains, joins, campaigns for or works for them in any form . . . will be prosecuted for treason and will be brought before the competent courts which will pass the required sentences. The maximum penalty will be death and the confiscation of all immovable and movable properties."

There is much speculation on Jordan's motives for attacking the Village Leagues. Ostensibly, the Leagues' moderate stance should parallel King Hussein's "moderate" image. One explanation offered is that Hussein wants neither a PLO leadership on the West Bank nor an independent Palestinian leadership, such as the leagues'; both are threats to his claim to the region.

Village League leader Dudein, however, offered a different reason in his March 12 interview with Israel's Arabic radio station:

"I have been told, and I believe it is true, that a person from the West Bank accompanied Yasir Arafat on his visit to Saudi Arabia. They met with Saudi Prince Fahd and urged him to bring pressure on the Jordanian Government to issue this statement. Saudi Arabia has covertly hinted that it might halt its aid to Jordan if it did not make such a statement. This is the real motivator because no one would voluntarily take such a step."

Whatever the reason, both Jordan and the PLO are opposed to the peace process and negotiation with Israel. Both have the motives and the agents on the West Bank to foment the turmoil now engulfing the West Bank. According to PLO radio broadcasts, high level PLO leaders conferred in Amman this week on the West Bank situation with Jordanian officials at a meeting of the Joint Palestinian-Jordanian Committee.

THE RIOTING AND ISRAEL'S REACTION

The West Bank is not under strict martial occupation with soldiers at every intersection. Andrew Stein, borough president of Manhattan, recently visited the West Bank and wrote this description in the *New York Post* (March 3, 1982):

"I have seen Israel's occupied territories and they are not occupied. One day last week I travelled 10 hours on . . . the West Bank. I did not see an Israeli soldier until the outskirts of Tel Aviv."

Today, of course, that is not the situation. Israeli troops have been brought into the towns to restore public order. No city or nation can allow roving mobs to disrupt daily life, commerce, and free travel on roads and highways.

Israeli soldiers are under strict orders to avoid causing any civilian casualties during their patrols. Every soldier is issued a handbook with strict regulations on the use of firearms. For instance, no firearm can be discharged unless the soldier is confronted with a life-threatening situation. Soldiers must first shout warnings, fire in the air at angle greater than 80 degrees, and after those steps, is he permitted to fire at rioters' feet.

CONCLUSIONS

The present rioting is an attempt by radical, pro-PLO forces to disrupt autonomy negotiations, the Sinai withdrawal, and the evolution of a non-PLO indigenous political leadership among the Palestinian Arabs.

Senator BOSCHWITZ. Much is made, Mr. Dine, about the possibility of a new sale of arms to Jordan. It is unclear just what is going to be sold, if anything. It will probably lead to another confrontation, certainly here in the Senate, with respect to our policy in that region.

What would the effect be in your judgment, of such a sale to Jordan? And how would you answer the question that the Jordanians

suggest they may now turn to other sources of supply in the event we do not sell these goods?

Mr. DINE. Mr. Chairman, I was going to start by picking up on the point you just made. Jordan has decided in its own wisdom to engage in an arms sales relationship with the Soviet Union. This breaks a pattern existing since 1948 in which the United States and Jordan have had a close and, hopefully, an effective relationship. By going to Moscow, I believe Jordan has sent us a very clear signal that there are other friends, that Jordan has other interests. They basically have snubbed us.

It is my understanding, from the King Hussein visit here, from the remarks made by his wife at Georgetown University, and conversations that I have had in this city, that the Jordanians have not yet officially asked the United States for improved Hawk missiles and F-16 fighter bombers, but they are going to.

I understand that the sale has been on the agenda in United States-Jordanian discussions since 1975 with regard to the Hawk missiles and since 1979 with regard to the F-16's. How can this country, how can this great power go around in the Middle East, already a volatile area, which all of us at this witness table would agree to, handing out sophisticated arms, not Korean war-vintage arms or even early Vietnam war-vintage arms, but our top-of-the-line arms to combatants? In particular, how can we arm Jordan, which continues to refuse to honor Camp David, to join in Camp David as the previous President expected, which continues to encourage the disruption of the Sinai withdrawal by Israel, which I believe Israel will do, and continue to say that the United States is not a worthy friend.

If I were a U.S. executive branch negotiator, I would not sell Jordan one piece of equipment made by this country until it gives up its arms deal with the Soviet Union, whether it is SA-8's or radar-guided antiaircraft guns. And I understand Jordanian crews are already in training in the Soviet Union.

That would be my first criteria: What is Jordan's foreign policy; how does it view its relationship with the United States; how does it view its relationship with the United States in the context of the peace process which we have sired and been so helpful in nurturing since 1977-78?

Second, we get back to basics. There are 22 Arab countries in this world which the world recognizes. There is one Jewish State in this world and which only Egypt in the Arab world recognizes.

Senator BOSCHWITZ. Which only what?

Mr. DINE. There is only one Arab country in the world which recognizes Israel, the Jewish State.

Now, something is afoul. Something is askew. And it is American foreign policy. It has been that way ever since Mr. Truman's decision to recognize that Israel is on the map. And let us get on with it.

Consequently, whether or not we are going to see another Fahd plan or a Hussein plan, which vaguely refers to "the states in the region," there can be no peace until the Arabs recognize the existence of Israel, the reality of Israel. Then you get into the details, as Mr. Sadat and Mr. Mubarak have discovered, with the Israeli Government.

So I would say that the Jordanian arms sale is bad American foreign

policy. There is no quid pro quo. We look like a feeble power rather than a forceful power. And as far as I know, we get nothing in return. Jordan must stop being one of the most vocal opponents of Camp David at a very time when, in the next couple of weeks, we see part 1 of Camp David consummated.

I would like to see Jordan in the part 2 era, which starts on April 26. And when it becomes a part and when it drops its arms deals with the Soviet Union, then we can talk about its internal security and its security problems vis-a-vis Syria. That is my short reply, Mr. Chairman.

Senator BOSCHWITZ. Ambassador Veliotos spoke about a new beginning after the 25th of April and we both noted that the tensions have risen prior to that date. This is not entirely surprising, in view of the historic nature of that date, perhaps the moderate number of the tensions and conflicts are more surprising.

What is your analysis of the post-April 25? Is this a new beginning? As I noted, the Israelis are giving up strategic depth in return for an agreement. As Ambassador Veliotos noted, agreements have not always been honored in that part of the world. What is your assessment of the post-April 25 period other than the fact that you have noted that you hope that Jordan will now participate?

Mr. DINE. Right. I do not disagree with the words "new beginning," although I too was once in Government and we used to write those annual reports. I am familiar with the language.

More importantly, Camp David is not only a fact in terms of the treaty, which I have here in the committee print, but it is also a continuing process. That is the important part. That is why I said part 1 and then we will be going into part 2. Part 2 is just as important as part 1. We all know about risk. None of us can predict the future. None of us knows what Mr. Mubarak will do to balance his desire to be both pro-Israel and pro-Arab League/Arab world, and to continue Egypt's special relationship with the United States.

Senator BOSCHWITZ. Well, we would hope there would not be an inconsistency and that one could be both pro-Israel and pro-Arab.

Mr. DINE. Correct. It is difficult, and I know President Mubarak is trying to do that right now. But the Camp David accord, and particularly the agreements signed between Egypt and Israel on September 17, 1978, has within it, I believe, the framework in which the final status of the West Bank can be worked out. It is open ended, and I believe it is up to the parties involved to figure out what that end will be. When a self-governing authority is established and inaugurated on the West Bank and Gaza, then the transitional period of 5 years begins.

Within Camp David, the final status of the West Bank and Gaza can range from one extreme to another. It is all within this treaty. You can create a Palestinian state in this final open-ended status, or you can annex it and bring it within its jurisdictional law and protection, or in between some kind of confederation or federation can be established. It is up to the parties themselves to shape their own future.

Now, the negotiations are among Israel, Egypt, supposedly Jordan, and hopefully the representatives of the inhabitants of the West Bank and Gaza. I hope, and I will work as hard as I can, Mr. Chairman, to make sure that our Government plays a positive role, a forceful role, a

vigorous role, to get on with it, because I do not believe the United States has played such a role over the last several months.

I think our part as an honest broker is essential if we are to continue to build this structure of peace, if we are to continue to lay the bricks and the mortar of peaceful coexistence, which all of us want at the end.

Senator BOSCHWITZ. Are you optimistic, Mr. Dine?

Mr. DINE. Sure. I think it can be done. I do not think there is an inevitability in history to anything. And I certainly do not think, although I have talked about it myself in public fora, that the Middle East today is analogous to the Balkans of August 1914. I think the actors involved have a responsibility to perform. I think they can do it if they have the will to do it, and if they can collect their wisdom.

Senator BOSCHWITZ. Thank you, Mr. Dine.

We will pursue, Senator Sarbanes and I and others, together will pursue the reasons for the apparent change in the authorizations that were made by this committee, passed by the Congress, signed into law, why they have now been changed. Quite clearly a wrong signal may be perceived. And quite clearly, if there is a perception of that type, it may hinder the process and the prospects for peace in that area.

So we thank you for your testimony.

And now we will turn to Mr. Sadd.

STATEMENT OF DAVID J. SADD, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF ARAB-AMERICANS, ACCOMPANIED BY NEAL LENDEMANN, COORDINATOR FOR RESEARCH AND INFORMATION

Mr. SADD. Mr. Chairman, I appreciate the opportunity to appear before this committee.

Senator BOSCHWITZ. I am sorry you had to wait so long.

Mr. SADD. Seated next to me on my right is Neal Lendemann, the coordinator for research and information in the NAAA. We have submitted our written statement and its appendixes, and I would like to cover some highlights of that statement, if I may.

The National Association of Arab-Americans is pleased to submit testimony to this committee concerning the Middle East portion of the administration's fiscal year 1983 foreign aid request. As Americans of Arab descent, NAAA's members are particularly concerned that American tax dollars are spent in such a way as to promote U.S. interests in the Middle East by encouraging peace and stability in the region and contributing to economic development there.

The United States has a multiplicity of interests in the Middle East. These interests include the maintenance of stability throughout the region, the achievement of a just and lasting peace between Israel and the Arab world, the promotion of the legitimate rights of the Palestinian people, the assurance of uninterrupted access to the petroleum resources of the Middle East, the prevention of the spread of Soviet influence in the region, and the promotion of the economic development of friendly nations in the region.

It is apparent from the administration's foreign aid request that the primary beneficiaries of foreign assistance in fiscal year 1983 will be Israel and Egypt. It should be noted that while the total amount of eco-

conomic and military assistance proposed for Egypt and Israel is similar, aid to Israel is in reality far more generous.

Under the terms of the proposals, Egypt, with a very low per capita GNP of approximately \$480, will receive a sum of \$55 per citizen in fiscal year 1983, and much of that assistance will be in the form of foreign military sales aid. Israel, on the other hand, with an extremely high per capita GNP of \$4,150 and a high standard of living, will be receiving from the American taxpayer the sum of nearly \$627 per Israeli citizen.

There cannot be justification for compelling the American taxpayer to provide each and every Israeli citizen with such large doses of assistance when Americans are being required to tighten their belts back home.

Unfortunately, the disproportionate concentration upon the welfare of Israel is accompanied by a corresponding neglect of other areas in the region, particularly Lebanon and the occupied West Bank and Gaza, which are in desperate need of additional assistance and which as events of the past year have so clearly demonstrated are potential flash points for renewed escalation of violence.

It is our belief that the low priority given to Lebanon and the occupied Arab territories in the foreign aid request under review represents a serious underestimation of the importance of these regions to the maintenance of peace in the Middle East.

We urge that the U.S. Congress earmark additional funds for both Lebanon and the West Bank and Gaza as a means of contributing to the overall stability of the region and underscoring our commitment to peace.

I would like now to comment on several of the specific proposals in the foreign aid request and make recommendations concerning them.

With regard to Lebanon, because many of our members are of Lebanese descent, NAAA is very much concerned with Lebanon's problems and with the amount of American aid designated to be disbursed there. I would tell you that the president and chairman of NAAA are today in Lebanon, meeting with the President and the Foreign and Prime Ministers as a measure of our concern for the situation there and particularly in notice of the critical time and the threats of a renewed invasion or attack on Lebanon.

Successive administrations and the U.S. Congress have been acutely aware of the many problems facing Lebanon and sympathetic to the Lebanese and their plight. But the United States must do more to assist Lebanon in its efforts at reconciliation and reconstruction than it has been prepared to do in the past.

Surely, an outlay of only \$15 million in FMS loans to Lebanon will do little to help the Lebanese Government "develop the capability to reduce and eventually eliminate civil conflicts" in Lebanon, as the administration suggests. Surely, an ESF allotment of only \$8 million to Lebanon will do little to help that Government work for the restoration of essential public services and a return to normalcy of life as the administration hopes.

Mr. Chairman, we strongly urge that the U.S. Congress earmark a much higher amount of economic and military aid to Lebanon than the administration proposes. We urge that \$100 million be earmarked

for economic reconstruction and that the foreign military sales credits be set at a level of at least \$100 million so that the Lebanese Army can be built to a point where it can effectively maintain security throughout the entire country.

Senator BOSCHWITZ. Are you suggesting by that remark that the Syrians be withdrawn from Lebanon, Mr. SADD? Or are you going to get to that?

Mr. SADD. Mr. Chairman, I am recommending that the Lebanese Army should be strengthened to the point where it can control the whole of Lebanon and all militias and outside forces be removed from Lebanon. Yes, the object of our policy should be to insure that the Lebanese Government has full sovereignty over all of its territory and the military means to enforce that sovereignty.

Senator BOSCHWITZ. Please proceed.

Mr. SADD. With regard to the West Bank and Gaza, we are concerned that Israeli policies in the West Bank and Gaza are severely undermining chances for peace. The Palestinian, Christian, and Muslim inhabitants of these territories, who have suffered under almost 15 years of Israeli occupation, are in desperate need of American assistance, particularly on projects that will aid in the economic development of the region.

The administration has proposed that \$6.5 million be funneled through private and voluntary organizations, or PVO's. But this total is woefully inadequate.

We urge that funding for the West Bank and Gaza be increased to \$15 million for fiscal year 1983 and urge further that the U.S. Government put increasing pressure upon Israel not to put intolerable obstacles in the way of the economic development programs that the people of the West Bank and Gaza need and deserve.

We support the administration's proposals of economic and military aid to Egypt, Jordan, Morocco, Oman, Tunisia, and Yemen.

I would like to specifically comment on the recommended aid proposal for Israel. We oppose the disproportionate amount of American foreign aid going to Israel in fiscal year 1983, particularly in light of the inadequate assistance that is to be provided Lebanon and the West Bank and Gaza. Given Israel's already unquestioned military superiority in the region and its high standard of living, the amount of aid earmarked for Israel cannot be justified.

In the past year Israel has undertaken many actions which have been condemned by the U.S. Government and which have promoted instability in the region.

Among these, Israel has destroyed an Iraqi nuclear research facility in Baghdad. It has mercilessly bombed populated areas of Beirut. It has annexed the occupied Syrian Golan Heights. It has moved ever close to annexation of the West Bank by imposing a civil administration there and opposing popularly elected Arab officials who disagreed with Israeli policies, killing a number of Arab youths who were demonstrating against Israeli military might with stones.

In the past few months, moreover, the United States has had to exercise all of its influence and diplomatic acumen to prevent Israel from violating Lebanese sovereignty by mounting a full-scale invasion of Lebanon. We submit that Israel must be held accountable for

the policies it pursues in the Middle East. Until and unless the United States can devise and implement a mechanism which will reduce or suspend military aid to Israel, if it pursues military policies that violate U.S. laws, including the arms export control laws, it is to be expected that Israel will continue to violate these laws.

Until and unless the United States put Israel on notice that it will reduce its economic assistance if Israel continues to establish new settlements on the West Bank, Gaza, and the Golan Heights or "thicken" its existing ones, it is to be expected that Israel will continue to defy American wishes and ignore American condemnations of these actions.

U.S. Public Law 94-329 prohibits aid from being granted to any country which engages in a consistent pattern of gross violations of internationally recognized human rights. Segments of the Arab minority in Israel and the Arab inhabitants of occupied territories have been subject to a pattern of deprivation of their human rights by the Israeli Government and the Israeli occupation forces.

We strongly urge the U.S. Congress to withhold economic and military aid to Israel when such rights violations occur, in order to discourage Israel from continuing these practices.

In closing, I would like to note that since the early 1980's the U.S. Congress has sought increased responsibility in the conduct of U.S. foreign policy. We would hope to see responsible congressional leadership in an effort to insure that Israeli actions which are condemned by the U.S. Government and which undermine U.S. interests in the region are met with appropriate restrictions on military and economic aid that we provide Israel.

Thank you, Mr. Chairman.

[Mr. Sadd's prepared statement follows:]

PREPARED STATEMENT OF DAVID J. SADD

The National Association of Arab Americans (NAAA) is pleased to submit testimony to this committee concerning the Middle East portion of the Administration's fiscal year 1983 foreign aid request. As Americans of Arab descent, NAAA's members across the country are particularly concerned that American tax dollars are spent in such a way as to promote U.S. interests in the Middle East most effectively by encouraging peace and stability in the region and contributing substantially to economic development there.

The United States has a multiplicity of interests in the Middle East. These interests include the maintenance of stability throughout the region, the achievement of a just and lasting peace between Israel and the Arab World, the promotion of the legitimate rights of the Palestinian people, the assurance of uninterrupted access to the petroleum resources of the Middle East at reasonably stable prices, the prevention of the spread of Soviet influence in the region and the promotion, within fundamental budgetary constraints, of the economic development of friendly nations in the region.

The Reagan Administration, in presenting its foreign aid request, has indicated that its overriding goal is to bring peace and security to the Middle East. Such a goal is, of course, in the best tradition of American commitment to peace and world stability. We are concerned, however, that the Administration's proposals will not distribute U.S. economic and military aid in such a way as to enable the United States to exert the maximum influence necessary to promote a comprehensive and lasting peace in the Middle East.

It is apparent from the Administration's foreign aid request, that the primary beneficiaries of foreign assistance in fiscal year 1983, as in fiscal year 1982, will be Israel and Egypt, presumably in order to encourage their continued participation in the "Camp David process." It should be noted, however, that while the total amount of economic and military assistance proposed for Egypt and Israel is simi-

lar (approximately \$2.4 billion for Egypt and \$2.5 billion for Israel), aid to Israel is in reality far more generous. Under the terms of the Administration's proposals, Egypt, with a very low per capita GNP of only \$780 dollars, will receive a sum of approximately \$55 per citizen in fiscal year 1983, and much of that assistance will be in the form of FMS aid. Israel, on the other hand, with an extremely high per capita GNP of \$4,150, and a high standard of living, will be receiving from the American taxpayer the staggering sum of nearly \$627 per Israeli citizen. There can be no justification for compelling the American taxpayer to provide each and every Israeli citizen with such massive doses of welfare when Americans are being required to tighten their belts back home. (See Appendices A and B.)

The Agency for International Development has asserted that U.S. military and economic aid to Israel "tangibly reflects our commitments to support Israel", thereby encouraging it to "take the further risks necessary to achieve lasting peace in the Middle East." Unfortunately, in the past year Israel has embarked upon a number of reckless adventures in the Middle East which have demonstrated its unwillingness to take risks for peace beyond those it considers itself to have taken in its negotiations with Egypt. It remains to be seen, of course, whether Israel will indeed evacuate the Sinai, as it has obligated itself to do, at the end of April. Even if it does live up to that commitment, however, Israel has used its unquestioned military superiority over its neighbors in highly irresponsible and immoral ways which have contravened U.S. interests in the region, flouted international law and caused great embarrassment to the Reagan Administration.

In the past year, Israel has destroyed an Iraqi nuclear research facility in Baghdad, it has mercilessly bombed heavily populated areas of Beirut, killing over 300 innocent civilian victims, it has annexed the occupied Syrian Golan Heights and it has edged ever closer to annexation of the West Bank by imposing a civil administration there, deposing popularly elected Arab officials who disagreed with Israeli policies and killing a number of Arab youths who were demonstrating against Israeli military might with stones. For the past few months, moreover, the United States has had to exercise all of its influence and diplomatic acumen to prevent Israel from violating Lebanese sovereignty by mounting a full-scale invasion of Lebanon. Such an invasion would be in contravention of a ceasefire that has virtually eliminated hostilities across the border separating Lebanon and Israel since July 1981.

It should come as no surprise in light of these actions and others, even to Israel's most ardent supporters, that it is Israel, not the Soviet Union, which is regarded by most Arab countries as the major threat to their security. We submit that Israel's policies are the most destabilizing element in the Middle East and that such destabilization is contrary to America's national interests.

Unfortunately, the disproportionate concentration upon the welfare of Israel that the Administration's fiscal year 1983 proposals display is accompanied by a corresponding neglect of other areas of the region, particularly Lebanon and the occupied West Bank and Gaza, which are in desperate need of additional assistance and which, as events of the past year have so clearly demonstrated, are potential flashpoints for renewed escalation of violence in the Middle East. It is our belief that the low priority given to Lebanon and the occupied Arab territories in the foreign aid request under review represents a serious underestimation of the importance of these regions to the maintenance of peace in the Middle East. We urge that the U.S. Congress earmark additional funds for both Lebanon and the West Bank and Gaza as a means of contributing to the overall stability of the region and underscoring our commitment to peace.

TABLE 1

	Population	GNP per capita	Total proposed fiscal year 1983 aid	Aid per capita
Egypt.....	*13,444,000	*\$480	\$2,400,000,000	\$55.0
Israel.....	3,987,000	4,150	2,500,000,000	627.0
Lebanon.....	3,086,000	1,070	22,000,000	7.0
Jordan.....	3,248,000	1,180	95,250,000	29.0
West Bank/Gaza.....	1,150,000		6,500,000	5.7

* In 1979.

† In 1975, prewar.

I would now like to comment on several of the specific proposals in the foreign aid request and make recommendations concerning them.

1. LEBANON

Because so many of our members are of Lebanese descent, NAAA is very much concerned with Lebanon's problems and with the amount of American aid designated to be dispersed there. A strong and stable Lebanon is a prerequisite for the achievement of a comprehensive and lasting peace in the Middle East. The United States must encourage a process by which the legitimate Government of Lebanon can become the sole guardians of peace and security in the country, thereby allowing the total withdrawal of the Arab Deterrent Forces from Lebanon. It is essential that Lebanon achieve national reconciliation so that it can reunify and extend its sovereignty and the authority of its legitimate Government up to its internationally recognized boundaries. Only a strong and united Lebanon will be able to prevent the occupation of Lebanese territory by Israeli forces. (See Appendix C.)

Successive Administrations and the U.S. Congress have been acutely aware of the many problems facing Lebanon and sympathetic to the Lebanese and their plight. But the United States must do more to assist Lebanon in its efforts at reconciliation and reconstruction than it has been prepared to do in the past. Surely an outlay of only \$15 million in FMS loans to Lebanon will do little to help the Lebanese Government "develop the capability to reduce and eventually eliminate civil conflict" in Lebanon, as the Administration suggests. Surely an ESF allotment of only \$8 million to Lebanon will do little to help that government "work for restoration of essential public services and a return to normalcy of life," as the Administration hopes.

Mr. Chairman, we strongly urge the U.S. Congress to earmark a much higher amount of economic and military aid to Lebanon than the Administration proposes. We urge that \$160 million be earmarked for economic reconstruction and that the Foreign Military Sales credits be set at a level of at least \$100 million so that the Lebanese Army can be built to the point where it can effectively maintain security throughout the entire country.

2. WEST BANK/GAZA

We are concerned that Israeli policies in the West Bank and Gaza are severely undermining chances for peace. The Palestinian Christian and Muslim inhabitants of these territories, who have suffered under almost 15 years of Israeli occupation, are in desperate need of American assistance, particularly on projects that will aid in the economic development of the region. The Administration has proposed that \$6.5 million be funneled through private and voluntary organizations (PVOs), but this total is woefully inadequate.

AID has indicated in its official proposals submitted to Congress that:

The sizable number of projects proposed by community groups [in the West Bank and Gaza] which are rejected or deferred by PVOs because of funding limitations indicates a substantial demand for assistance in self-help efforts which is not being met from other sources. The PVOs continue to encounter periodic difficulties in receiving clearance from the Israeli Government to proceed with individual sub-projects. . . .

In fact, however, PVOs have encountered increasingly insurmountable obstacles from the Israeli Government in administering U.S. aid allocations. (See Appendix D.)

The small program funding economic and social development in the West Bank and Gaza has perhaps the highest impact of any American aid project anywhere in the world. It has been estimated that American PVOs could easily spend an additional \$10-15 million on projects that have already had preliminary studies if funds were forthcoming. We urge that funding for the West Bank and Gaza be increased to \$15 million for fiscal year 1983 and urge further that the United States Government put increasing pressure upon Israel not to put intolerable obstacles in the way of the economic development programs that the people of the West Bank and Gaza need and deserve. In an era of little official American appreciation of the Palestinian issue, the West Bank/Gaza program has come to symbolize the hope of a more constructive relationship between our two peoples.

3. EGYPT

We support the Administration's proposals of economic and military aid to Egypt. Egypt is an important Arab country and a close friend of the United

States. There are very positive indications that Egypt, under President Hosni Mubarak, will be reestablishing closer ties with the other nations of the Arab World once the last portions of occupied Sinai are returned to it at the end of April. Such a development will enable Egypt to play a stronger and more constructive role in the region and should be welcomed by the United States.

4. JORDAN

Jordan is a long-time friend of the United States. We need the active support of Jordan, which is committed to a peaceful resolution of the Middle East conflict, in our search for a comprehensive and lasting peace in the Middle East. We endorse the Administration's proposed increase in FMS for Jordan by \$25 million to a total of \$75 million and also support the increase in Economic Support Funds for Jordan to \$20 million.

5. ISRAEL

We oppose the disproportionate amount of American foreign aid going to Israel in fiscal year 1983, particularly in light of the inadequate assistance that is to be provided Lebanon and the West Bank and Gaza. Although Israel enjoys the highest per capita GNP of any country in the Near East Region covered by the Administration's foreign aid proposals, it nevertheless will receive a higher amount of aid than any other recipient nation. Given Israel's already unquestioned military superiority in the region and its high standard of living, the amount of aid earmarked for Israel cannot be justified.

Beyond this, however, we submit that Israel must be held accountable for the policies it pursues in the Middle East. Until and unless the United States can devise and implement a mechanism which will reduce or suspend military aid to Israel if it pursues military policies that violate U.S. laws, including the Arms Export Control Act, it is to be expected that Israel will continue to violate those laws. Until and unless the United States puts Israel on notice that it will reduce its economic assistance if Israel continues to establish new settlements in the West Bank, Gaza and the Golan Heights, or "thicken" its existing ones—and reduce that assistance by the amount of money spent by Israel in the pursuit of these policies—it is to be expected that Israel will continue to defy American wishes and ignore American condemnation of its actions.

U.S. law (P.L. 94-329) prohibits foreign aid from being granted to any country which "engages in a consistent pattern of gross violations of internationally recognized human rights." Segments of the Arab minority in Israel and the Arab inhabitants of the occupied territories have been subjected to a pattern of deprivation of their human rights by the Israeli Government and the Israeli occupation forces. We strongly urge the U.S. Congress to withhold economic and military aid to Israel when such rights violations occur in order to discourage Israel from continuing these unlawful practices. (See Appendix E.)

APPENDIX A

[From the Christian Science Monitor, Dec. 29, 1981]

UNCLE SAM KEEPS THE WOLF FROM ISRAEL'S DOOR

(By Thomas Stauffer)

Prime Minister Menachem Begin's biting attack on the United States, while rejecting vehemently any taint of vassalhood, has focused new attention on Israel's extraordinary economic dependency on the United States. Israel today is, indeed, all but totally dependent on U.S. economic support, both overt and indirect.

A fragile and quite indispensable economic lifeline connects Tel Aviv to Washington, providing at no cash cost the weapons Israel could not buy elsewhere in the world, even if it were able to pay. It all adds up to an economic package exceeding \$3 billion per year. Any Israeli resentment and bitterness at their country's economic dependence would be understandable be-

cause the total aid package, including ripple (multiplier) effects, approximates almost one-half of Israel's national income.

Mr. Begin's confrontational posture vis-à-vis his U.S. sponsor, however, may be as risky as the resentment is real, because Israel is totally and most uncomfortably vulnerable to the whim and indulgence of the U.S. Congress, which must authorize or at the very least tolerate the complex and multi-dimensioned array of U.S. aid programs.

South African and Canadian Jewish communities furnish some \$150 million yearly to Israel, and West Germany still pays rather more than \$300 million in reparations from World War II. Otherwise, the entire burden of economic support falls on the United States, covering the current balance-of-payments deficit of \$5 billion.

U.S. public aid over the last three years averaged \$3 billion annually, and the 1982 expenditure may once again rise—a rare counterexample to the slashed budgets of the administration's domestic programs. Almost half of U.S. official aid consists of grants or instantaneously forgiven loans. The remainder is added to Israel's rapidly escalating foreign debt, which now approaches \$20 billion, equivalent to the unprecedented level of (almost) \$5,000 for capita.

Military "sales" constitute two-thirds of the total official aid, and Congress in the Arms Export Control Act of 1976 created a special financing device in order to reduce the visibility of this aid and forestall possible public criticism.

Thus, for example, in fiscal 1980 \$1 billion worth of foreign military sales were authorized for Israel's account. Immediately following the "sale" however, \$500 million of the loan was canceled and the residual \$500 million was added to the \$7-plus billion the State Department estimates that Israel now owes the U.S. Government. This debt involves grace periods of up to 10 years prior to any repayment.

As a consequence of Israel's worsening economic malaise since 1973, it can service this debt only in the formal sense that installments are paid when due but are in fact funded through new U.S. aid each year.

A further layer of aid flows from U.S. based Jewish organizations. The IMF reports such flows globally at almost \$1 billion per year, largely from the United States. Such charitable contributions, except for Israeli Development Bonds, are fully tax-deductible and hence are tax expenditures in the U.S. context. At one time, hearings under Sen. J. William Fulbright revealed political uses of such funds; today United Jewish Appeal or Hadassah contributions have funded access roads in the Golan Heights or settlements in the occupied territories on the West Bank, but most flow into the Israeli economy.

Mr. Begin's critical economic stake in perpetuating U.S. assistance extends still further into a third and murkier tier of economic assistance. For example, military sources indicate that some of the weapons transferred to Israel are underinvoiced at special discount prices, which particularly offends the Department of Defense (DOD) when Israel subsequently profitably sells U.S.-source equipment at higher prices, as occurred recently with Iran.

Another form of implicit aid is a net of specially crafted contracts between the U.S. DOD, or defense suppliers within the United States to support the Israeli arms industries. Secretary of State Alexander M. Haig Jr. recently intimated that these would be expanded in the future, providing critically needed cash infusions for those firms. Israel Aircraft Industries has been particularly insistent on such support and has received subcontracts for manufacturing components for the F-4 and F-15 fighters.

In another transaction an Israeli shipping firm was accorded subsidies under the U.S. Maritime Administration's shipbuilding program, but the precedent was quickly frozen when Burmah Oil, a British firm, applied for similar support.

Further assistance outside the formal foreign aid structure is the extensive and sustained support for Israeli universities and research institutions that is funded by the Department of Education, the National Institute of Health, and other U.S. agencies in the form of grants and contracts. These reportedly aggregate almost \$100 million per year.

The final tier of economic assistance involves special concessions on Israeli exports to the United States. In spite of its high per capita income, over \$3,500 per year, Israel has been specially designated as a "developing country," which accords it reduced or zero tariffs under the Generalized System of Preferences. As a result, 96 percent of its \$1 billion exports to the United States enter free of any tariffs.

APPENDIX B

[From the New York Times, Mar. 28, 1982]

FOREIGN AID'S PURPOSE

(By Lee H. Hamilton)

WASHINGTON.—A major difficulty with our foreign assistance program is that it has largely become a mechanism for helping two countries, Egypt and Israel.

With President Reagan's request for another sizable increase—\$700 million in military assistance for Egypt and Israel—total aid for them would rise to \$4.8 billion in fiscal 1983—\$2.3 billion for Egypt and \$2.5 billion for Israel, the equivalent of more than \$45 for each Egyptian and \$630 for every Israeli. If the budget is approved, Egypt and Israel will corner some 75 percent of our foreign military sales program worldwide and some 60 percent of the economic support program. Egypt will also continue to get more than 25 percent of the food aid.

A staggering \$25 billion in military, economic, and food aid will have been provided to Egypt and Israel from fiscal years 1978 through 1983. This sum is nearly one-third of our worldwide total for that period. A comparison with the budget for Southeast Asia during the Vietnam War is revealing: From 1968 to 1973, Vietnam, Laos, and Cambodia chewed up \$17 billion in foreign aid—well over one-third of the total.

That Egypt and Israel have staked out huge portions of the United States foreign aid budget is neither an argument against the aid nor the importance that we assign to their well-being. There are persuasive reasons for very high levels of military and economic assistance to both countries, but the imbalance that such amounts creates carries clear consequences for the United States' national interests.

First, our commitments to economic development in poor countries and to alleviation of suffering around the world are called into question. Given those rationales for foreign aid, as stated by every post-World War II administration, we must be uneasy with a budget that tilts so strongly toward two countries, however worthy, and shows a corresponding neglect of all others. A serious gap exists between our growing political and economic interests in the developing world and the low priority given the developing world in our foreign aid budget. The United States already is slipping badly as a donor of economic aid. Today, the United States ranks 15th among developed countries.

Second, serious problems arise in our relations with other countries. The poor nations know our attitude toward developmental assistance; they also know that Egypt and Israel receive more economic aid than do all of them combined. The imbalance breeds envy and suspicion. Notwithstanding our claims to the contrary, many countries believe that we can control those who receive so much of our aid. Other states, including North Atlantic Treaty Organization allies, find it hard to believe that they, as old friends, receive so much less than Egypt, a new friend. The high levels of assistance to Egypt and Israel are used as leverage by Spain, Greece, and Turkey when we negotiate military base agreements. There is also the danger that other countries exaggerate their security concerns because they see the United States placing such a high priority on aid to two countries that have been at war and that maintain a military footing.

Third, there are risks for Egypt and Israel. They expect enormous amounts of American aid. Each cites additional aid to the other as a reason for an increase in its own aid. Because both are so dependent on our assistance, their economies are distorted, their debts burgeon, and their need for more aid grows—if only to service their debts. This is not healthy for Egypt and Israel, nor is it in their long-term national interests. If the peace process eventually extends to other countries, they too will demand of us large "peace dividend."

Fourth, because of this concentration of assistance, we have not begun to address adequately the world's social and economic problems. Security and stability in most countries depend as much on solutions to such problems as on military aid. If we cannot afford to fight hunger, poverty, pollution, overpopulation, disease, and illiteracy in the poor countries, we may soon face grave threats to security and stability caused, in part, by our neglect.

Congress has recognized the dilemma. In the 1970's, it directed that foreign aid clearly support programs to assist the poorest of the poor in solving

social problems and stimulating self-sustaining economic growth. Budgetary constraints—the most notable are the costly Egyptian and Israeli programs and the strong emphasis on military aid—have combined to damage that mandate.

A review of our foreign aid programs is warranted. Without turning our back on Egypt and Israel, we need to rethink the purposes of foreign aid, what it can and must achieve, and whether the present distribution of aid is the best we can do.

APPENDIX C

[NAAA Research Alert, March 1982]

HIGH RISK OF ISRAELI INVASION OF LEBANON

Danger to United States: Threat of Renewed War; Escalation of Violence in the Region; Potential Superpower Confrontation; Polarization of Middle East; Damage to U.S. Relations with Moderate Arab States; Expansion of Soviet Influence in the Region; and Efforts to Form Strategic Consensus Undermined.

Recommendations: Unequivocal U.S. Opposition; and Notification of Israel that Invasion will meet with Severe U.S. Response.

A broad spectrum of evidence suggests that Israel may attempt to undermine peace efforts in the Middle East by reinitiating hostilities in the region through an invasion of Lebanon—possibly before the scheduled withdrawal from the Sinai on April 25, 1982. Israeli troop movements, statements of Arab and Israeli officials, and long standing desire by Israel for expanded water resources and additional land point to the likelihood of an imminent Israeli invasion. Such an invasion would be in contravention of the cease-fire agreement, which stipulated that hostile action between Lebanese and Israeli territories must cease.

Unequivocal U.S. opposition to an invasion of Lebanon must be expressed to Israel by the Administration and Congress before it is carried out. Israel must be notified that an invasion of Lebanon will be considered a substantial violation of the U.S. Arms Export Control Act and will be met with swift and certain U.S. response, including one or more of the following:

1. Suspension of delivery of sophisticated U.S. weaponry.
2. Placing of conditions on future economic and military aid to Israel.
3. Suspension of unexpended Foreign Military Sales (FMS) credits.
4. Denial of future FMS requests.
5. Removal of favorable FMS repayment terms.

INTRODUCTORY PERSPECTIVE

The cease-fire in Lebanon followed an increase in military activity across the Lebanese-Israeli border from both directions. The escalation of the violence was initiated by Israel:

"But then, last June, for reasons which had little if anything to do with the situation along the northern front, which was relatively quiet, Israel initiated a series of strikes against targets in Lebanon which escalated to a point which made American intervention inevitable. A cease-fire was negotiated, if not directly with the PLO then certainly including the PLO, putting a stopper on Israel's policy of pre-emption."—Hirsch Goodman in *The Jerusalem Post*, February 5, 1982.

The information gathered in this RESEARCH ALERT indicates that renewed Israeli attacks on Lebanon are imminent. Data for analysis is presented under the following sections:

1. Statements by U.S. Government officials.
2. Statements by Israeli Government officials.
3. Underlying motivations for invasion of Lebanon.

STATEMENTS BY U.S. OFFICIALS

Following the Israeli bombing of Beirut on July 17, 1981, which left over 300 people dead, a cease-fire was arranged to end the escalation of violence between Israel and Lebanon. The public announcement of the cease-fire was made in Jerusalem by U.S. Special Envoy Philip Habib on July 24, 1981:

"I have today reported to President Reagan that, as of 1330 hours local time, July 24, 1981, all hostile military action between Lebanese and Israeli territory, in either direction, will cease."—*Baltimore Sun*, July 25, 1981.

Contrary to Israeli contentions, the cease-fire agreement, as announced by Habib, did not indicate that fighting between Lebanese factions or between Lebanese factions and the PLO came under the terms of the cease-fire. No foreign power should intervene in the situation in Lebanon. Rather, Lebanon must be able to settle its internal problems without outside interference. Commenting in that regard, State Department Spokesman Dean Fischer stated on the same day:

"Our objective is to enable the central Lebanese Government to maintain control over all of the areas of the country that are in dispute or where violence has flared."—*The New York Times*, July 25, 1981.

Press reports in January and February of 1982, have warned that Israel was on the brink of invading Lebanon, even though cross border hostilities had not taken place for months. This development came only a short time after Habib returned to Washington from the Middle East and met with President Reagan on December 11, 1981. Later that day . . .

Habib told reporters that all parties want a continuation of the four-and-one-half month cease-fire. He said that even those who had first resisted it have now come to feel a "general satisfaction" with the truce. "I found during my visit, and I so told the president [sic], a general desirability that Lebanon should not be the centre of either military or political upheaval that would create problems throughout the region," Habib said.—*The Jerusalem Post International Edition*, December 13-19, 1981.

Early in 1982, Israel began to charge that the cease-fire was being violated. At the height of tensions, Israeli Defense Minister Ariel Sharon listed a number of alleged PLO "violations" of the cease-fire. Asked about this list, State Department Spokesman Dean Fischer replied:

We don't want to characterize them by the word "violations".—Dean Fischer, U.S. State Department, February 25, 1982.

Responding the next day to warnings by Israeli Ambassador to the U.S. Moshe Arens that Israel might have "no other choice but a preemptive strike" across the border because of the alleged "violations", State Department Spokesman Dean Fischer replied:

"Violence, from any quarter, can only exacerbate the Arab-Israeli conflict and perpetuate the difficulties faced by all concerned in that troubled part of the world. The U.S. cannot condone violent attempts to solve political problems of any kind. History has proven time and time again that violence begets violence, and no solution can be found through armed attacks in the Middle East. Ambassador Habib is in the area now on his mission to try to help strengthen the cessation of hostilities.

On the issue of arms, we are opposed to any arms build-up in southern Lebanon. We are not aware of any major infusion of arms from any source since last July that could be construed as significantly altering the balance of force. Obviously, this is something we continue to watch closely."—Dean Fischer, U.S. State Department, February 26, 1982.

STATEMENTS BY ISRAELI OFFICIALS

Israel's devotion to the cease-fire since its inception has not been consistent. Thus, on August 27, 1981, Prime Minister Menachem Begin, asserting that the PLO was adding weapons to its arsenal and contending incorrectly that this was a "violation" of the cease-fire agreement, stated that Israel would not attack PLO emplacements:

"As long as they are silent, we won't. If they should shoot, that is a different story. But as long as they don't shoot, we won't. As I said, we would like the cease-fire to go on indefinitely."—*The New York Times*, August 28, 1981.

Nevertheless, a few months later Israeli Foreign Minister Yitzhak Shamir warned that:

"Israel feels free to respond even today, and maintains its freedom of action," he said. "We will decide what to do and when to do it . . . We see a limit to our patience." *The Jerusalem Post International Edition*, December 6-12, 1981.

Israel's conception of "freedom of action" appears to include entering Lebanese territory and violating Lebanese sovereignty, despite the cease-fire: An *Associated Press* report from Tel Aviv on January 20, 1982, revealed:

Israeli forces held unusually intensive exercises with tanks and mortar weapons in southern Lebanon overnight, a spokesman for U.N. peacekeeping forces in the area said Wednesday.

The United Nations Interim Forces in Lebanon spokesman said that Israeli troops had shot 40,000 rounds of small arms fire during all-night exercises in the Christian militia enclave village of Yarine and Marouahine, 14 and 22 kms east of the U.N. headquarters at Naqoura. He said Israeli forces had been exercising in the border enclave of their rightist militia allies for several weeks but that the overnight maneuvers had been "more concentrated and intensive" than in the past.—*Arab News*, January 21, 1982.

Israel has sought to publicize alleged "violations" of the cease-fire by the Palestinians at every opportunity, but Israeli violations go virtually unreported or are routinely denied. Reports of Israeli violations, furthermore, often fail to appear in the U.S. press. Thus, on January 24, 1982, the *Associated Press* reported the following:

An Israeli warship and several gunboats opened fire on seven Lebanese fishing boats inside Lebanese territorial waters, sinking two of the unarmed craft and heavily damaging the other five, press and radio reports here said on Sunday.

The Israeli military command denied the story. A spokesman Sunday refused to say if Israeli vessels had been in the area at the time.—*Arab News*, January 25, 1982.

It appears as if Israel is searching for a pretext to invade Lebanon.

"Begin is waiting for an excuse to go into Lebanon," the *Survey* was told by one well-connected Israeli official. "He will take action if one Katyusha is fired on Kiryat Shimona," he added.—*Middle East Policy Survey*, January 15, 1982.

That excuse was nearly found when several men crossed into Israel from Jordan on January 30, 1982. Defense Minister Ariel Sharon indicated that Israel regarded the incursion as a violation of the cease-fire (even though it occurred 100 miles from the Lebanese border), saying:

"The terrorist operations are conceived in Lebanon—that is where implementation begins."—*The Christian Science Monitor*, February 8, 1982.

Sharon and Chief of Staff Rafael Eitan had been pressing for an assault on Lebanon, according to *Time* magazine (February 15, 1982), for weeks. In the end, however, they were overruled by Begin.

Despite the eagerness of the Israeli government to break the cease-fire and move into Lebanon, not all Israelis were inclined to support the renewal of open hostilities. Israelis living along the border with Lebanon were urging the government not to launch a strike at Palestinians in Lebanon.

The chairman of the Upper Galilee Regional Council, Abraham Broshi, said that if the government wanted to retaliate against the incursion it should strike into Jordan from where the infiltrators came and not into southern Lebanon. "The cease-fire along the Lebanese border has not been violated," he said.—*The Christian Science Monitor*, February 8, 1982.

But if the attack has been postponed, the uncertainty as to Israel's adherence to the terms of the cease-fire remains. Yosef Harif referred to a note from Begin to President Reagan:

"Begin did not, however, say that Israel will not attack unless attacked. What he did write to Reagan, surely in accordance with his initial thinking was that Israel will not attack (in Lebanon) unless "we are faced with a deliberate provocation."—Yosef Harif, Ma'ariv, February 12, 1982, quoted in FBIS, February 16, 1982.

Asked what provocations would elicit Israeli military reaction, Foreign Minister Yitzhak Shamir replied:

"I do not think that I have to be precise in detailing these things. This depends on our decision."—IDF Radio, Tel Aviv, February 12, 1982, quoted in FBIS, February 17, 1982.

Moshe Arens, Israeli Ambassador to the United States, warned on February 25, 1982, that an alleged Palestinian buildup of arms in south Lebanon might leave Israel with "no other choice but a preemptive strike" across the border. (*Los Angeles Times*, February 26, 1982). He ominously added: "I would almost say it's a matter of time." (*The New York Times*, February 26, 1982).

U.S. officials at the State Department (see page 4) and diplomats in the Middle East disputed Arens' assertions. In a report from Lebanon, Edward Cody revealed:

Several Western military attaches who monitor Yasser Arafat's Palestine Liberation Organization said the Israeli charges of a PLO buildup are unsupported by the amount and quality of equipment acquired by the organization's various guerrilla groups in recent months. A notable guerrilla arms buildup

begun last year had trailed off after July, according to Western attaches and PLO officials.—*The Washington Post*, March 1, 1982.

On the other hand, Israel has not declined to send armaments to its surrogates in south Lebanon: *The Washington Post* reported that the Phalange Party militia in Lebanon had been . . .

Equipped with a limited number of Sherman tanks and the newer more sophisticated super Sherman tanks reportedly supplied by Israel. The Israeli Army also has given a few super Sherman tanks to Haddad's forces in the south, U.N. observers say, but neither side's armor is very useful in the hilly border region, in the assessment of military analysts.—*The Washington Post*, March 1, 1982.

(The *Post* inexplicably failed to question whether the supplying of such tanks was in violation of the U.S. Arms Export Control Act.)

Available evidence indicates that Israel is waiting for a chance to renew hostilities despite adherence by the Palestinians to the cease-fire. Israeli allegations of a Palestinian arms buildup have been highly exaggerated in order to give a pretext for invading Lebanon and to soften the opposition of the U.S. government and American public opinion to such a move. The tragedy of this situation lies in the fact that it is in the interests of all concerned to preserve peace in the Middle East.

United Nations officials at peacekeeping headquarters in Naqoura, only four kilometers from the Israeli border, are admittedly concerned. But spokesman Timur Goksel said that since July 28 the ceasefire "has held and there have been no firing incidents."

U.N. sources, who declined to be identified because of the peacekeepers' role as middlemen, said both the commandos and Israel had a vested interest in maintaining the ceasefire. "The Palestinians are demonstrating responsibility and proving they can be depended upon to deliver, while Arafat demonstrated his authority over the myriad of factions fighting in the south," said one U.N. official. "The Israelis do not have to worry about their settlements in the north being terrorized."—*Arab News*, February 5, 1982.

UNDERLYING MOTIVATIONS FOR INVASION

Israel contends that an invasion of Lebanon would weaken or obliterate the strength of the PLO in Lebanon. Israeli Defense Minister Ariel Sharon has calculated the repercussions of the invasion to be wide ranging. They would include the possibility of the emergence of a Palestinian state in Jordan:

To bolster his aims, Sharon, with the backing of Foreign Minister Yitzhak Shamir, is also touting a political rationale for such a maneuver. He believes that the P.L.O. would have no place to go except Jordan, from which it was forcibly expelled in a brutal crackdown by King Hussein's military in 1970-71. With a little assistance from Israel, Sharon believes, the P.L.O. could overthrow King Hussein and establish a Palestinian state in Jordan.

. . . In Sharon's view, if the P.L.O. were to take over Jordan with Israel's backing, such a Palestinian state would be more cooperative than one centered on the West Bank.—*Time*, March 1, 1982.

Sharon's views have not been accepted by Begin, but they are important coming from such a high Israel official. Joseph Kraft, the syndicated columnist, after meeting with Israeli officials and others, has indicated that the Israeli invasion might lead to further instability in the region, including the overthrow of Syrian President Hafez al-Assad:

The theory is that the PLO and the Syrians would be forced to quit Lebanon, with Assad toppled from office. In that case, Syria would implode. Joseph Kraft in *The Washington Post*, March 16, 1982.

It is difficult to ascertain how the toppling of either the Jordanian or Syrian Head of State would strengthen the possibilities for peace in the region or enhance Israel's security.

If Israel's military objectives in undertaking the invasion of Lebanon have been emphasized in recent weeks, its designs on the water of the Litani River in southern Lebanon have been less publicized. Thomas Stauffer reported this aspect of Israel's interest in expanding its territory:

However, the Golan Heights are even more important in the context of Israel's future water policy as a steppingstone—quite literally—to the liberation or occupation of the southeastern corner of the Lebanon and physical control of the Litani. While estimates of the available flow from the Litani differ consid-

erably, Israeli sources argue that a minimum of 400 million cubic meters yearly could be diverted into Israel—or as much as 700 million if the Lebanese dam upstream could be destroyed or its spillways opened.

The Litani River has long been a target (since the early Zionist settlements in Palestine under the British mandate) but that target—essentially academic until recently—now adds an ever increasing urgency to the older designs upon the Litani waters.

Plans for acquiring the Litani were articulated soon after Israel came into being in 1948, and the recently published diaries of Moshe Sharret reveal such Cabinet-level discussions in the mid-1950s.—Thomas Stauffer, *The Christian Science Monitor*, January 20, 1982.

Lebanese Minister of Information Michel Edde, stating that an Israeli assault on Lebanon was "imminent—only a matter of weeks," confirmed that Lebanon fears Israel's designs on expanded water supplies:

He emphasized that the Israeli objectives must include moving far into the Bekaa Valley well above the Karaoun Dam because: "The waters of the Litani River are useless without control of the dam."—*The Christian Science Monitor*, February 8, 1982.

ISRAEL BLOCKING SOME PRIVATE AMERICAN AID TO PALESTINIANS

(By David K. Shipler)

JERUSALEM, Oct. 2.—Several American charitable and religious organizations helping Palestinian Arabs in the West Bank and the Gaza Strip have been running into conflict with the Israeli military government, which has blocked, some of their welfare and development projects, delaying the expenditure of more than \$2 million in United States Government aid funds.

Most organizations have had no serious problems, and most projects have been approved over the years as large sums have flowed into the occupied areas from the United States, Europe and Arab countries. But the Israelis accuse some of the agencies and their American personnel of displaying pro-Palestinian, anti-Israel sympathies and of using their programs to bolster radical political figures among the more than one million Arabs under occupation. The government has gone as far as to deny an American Mennonite representative, Paul K. Quiring, permission to work here; he and his family left Israel Sept. 14.

The agencies facing the worst difficulties turn the allegations around, arguing that Israel is attempting to make political use of humanitarian projects to reward Arab communities that have moderate leadership and punish those led by outspoken critics of the occupation, which has lasted since Israel captured the territories in the 1967 war. Some also charge that Israel officials tend to resist those projects that have the best chance of improving economic conditions, which in turn would deter Arabs from leaving the areas.

ISRAEL APPROVED LITTLE AID

"There seems to be an idea that anything good for the Palestinians is bad for the Israelis," said Henry Selz, who represents American Near East Refugee Aid, the largest recipient of grants from the United States Agency for International Development. Since 1975, five agencies have received a total of \$17.9 million from A.I.D., plus another \$13.8 million in food for distribution.

Of a list of projects Mr. Selz submitted 15 months ago totaling \$2.8 million, Israel has approved only \$870,000 worth, he said. The proposals had already been accepted by Washington and by various Arab towns and cooperatives, which normally contribute additional funds obtained from Arab countries and funneled through Jordan. No Israel financing is required.

Mr. Selz contends that the patterns of rejection reveal an Israel preference for social welfare programs as opposed to those aimed at raising the level of economic productivity or producing highly skilled workers.

ELECTRICITY PROJECT REJECTED

Among the projects disapproved by Mr. Selz's refugee aid organization, for example, were two American grants of \$250,000 each to enable 16 villages in the Nablus and Hebron districts to expand electrical generating capacity; at

present they are provided with current only after dark. The purpose was to give daytime power so light industry could be established. Israel has moved toward taking over the distribution of electricity throughout the West Bank.

The authorities also rejected plans for additional vocational training courses in Ramallah, whose Mayor, Karim Khalef, is allied with the Palestine Liberation Organization and was injured in a bombing attack in June.

In addition, a \$300,000 project to equip a Hebron hospital with a major X-ray unit was turned down, Mr. Selz reported, Hebron's Mayor, Fahad Kawasmeh, was deported from the West Bank last spring for allegedly contributing to tensions which led to a terrorist attack on Jewish settlers in the Arab city.

A \$150,000 grant to help build a wholesale fruit and vegetable market in Halhoul, one of the West Bank's most productive agricultural regions, was also turned down, Mr. Selz said, Halhoul's Mayor, Mohammed Milhem, an outspoken opponent of the occupation, was also deported last spring.

'ALWAYS WITH THE RADICALS'

The military governor of the West Bank, Brig. Gen. Binyamin Ben-Eliezer, commented in an interview on the independent aid agencies. "They make always and always with the radicals," he said, "with the nationalists, and with those who always will be against the administration, against the military government and with the P.L.O."

"Why Halhoul?" the general asked heatedly. "Why Ramallah? Why not Bethlehem?" The Mayor of Bethlehem, Elias M. Frej, is considered comparatively moderate.

Projects in Halhoul have been difficult for other agencies as well. The Community Development Foundation, which also receives grants from Washington, was turned down by Israel on a plan to pave a rough road from Halhoul into a farming region so table grapes could be shipped to market with less bruising and spoilage, according to Thomas Neu, the foundation's representative here.

General Ben-Eliezer, invited to comment on particular projects, answered, "I prefer not to answer specifically."

"I would like to give you the whole strategy," he said. "No voluntary organization has any autonomy to do whatever it wants in this part of the world: This is a place where there is law and there is order, and this is a place where there is an administration."

'WE KNOW WHO IS WHO'

"After 13 years of presence here," he said, "we know who is who, who needs what, to whom all this support should be given. I will say welcome. I will give you a list of at least three hundred projects more than you have money for."

But the private agencies are determined to avoid becoming adjuncts of Israeli authority, lest they lose credibility with the Palestinians they seek to help.

The perceived politics of a given organization bear on how it is treated by the Israelis. American Near East Refugee Aid, for example, was founded after the 1967 war by Americans of Arab descent and others with experience in the Arab world. The Anti-Defamation League of B'nai B'rith asserts that some of its officers have written, spoken and lobbied in the United States on behalf of the Arab cause.

In the last year or two, however, Mr. Selz said, such activity has been curtailed. He noted that his own credentials included 16 years with CARE and four with A.I.D. in South Asia and Africa. He said that contrary to Israeli allegations, his proposed projects here were distributed widely, not aimed mainly at towns with radical leadership.

Mr. Quiring of the Mennonite Central Committee, a group that has underwritten small self-help programs since 1950, when the West Bank was under Jordanian control, said he worked here from 1974 to 1978 without difficulty. His troubles, he said, began after Congressional testimony he gave in 1977 in which he presented a meticulously researched statement describing the encroachment of Jewish settlements on Palestinian farmland and water supplies. An expanded version was delivered to a British-Arab society in London and reprinted in several Arab publications, he said, where it apparently came to the attention of Israeli authorities.

Before returning to Israel in June, he said, he was informed by Israeli authorities that he would not be allowed to resume work here.

General Ben-Eliezer declined to discuss Mr. Quiring's case.

APPENDIX E

12 MONTHS OF ISRAELI ACTIONS WHICH PROMOTE INSTABILITY AND
UNDERMINE AMERICAN INTERESTS

[From Political Focus (National Association of Arab Americans) Apr. 1, 1982]

PROMOTING INSTABILITY

Israeli Defense Minister Ariel Sharon, an avowed advocate of an Israeli invasion of Lebanon, has presented a shocking political rationale for reopening hostilities in the region. By striking hard at Palestinian positions in Lebanon and obliterating "LO strength there, Sharon argues, the Palestinians would be forced to flee to Jordan where, with assistance from Israel, they could overthrow King Hussein and establish a Palestinian state on the East Bank of the Jordan. With the Palestinians "content" in their own state, the argument goes, Israel would presumably be able to retain the West Bank without much opposition. Sharon's rationale, according to *Time* magazine, is reported to have the backing of Foreign Minister Yitzhak Shamir, though not of Prime Minister Begin.

Israel's search for a pretext to invade Lebanon has been well publicized in recent weeks. The advocacy by high Israel cabinet officials of such a contrived scenario as justification for an invasion, however, is an innovation that is particularly distressing. It is troubling not only because such a scenario is patently unrealistic, but also because it demonstrates a callous and cavalier attitude towards the stability and sovereignty of its neighbors.

Israel appears obsessively afraid of any strengthening of relations between the United States and any of the friendly nations of the Arab World, and Sharon's hope that King Hussein might be overthrown should be understood in that context. When U.S. Secretary of Defense Casper Weinberger recently indicated in Amman that he would urge President Reagan to sell more arms to Jordan and stated his belief that selling these arms would not "do any more than strengthen a good friend," a torrent of almost hysterical protests arose from Israel and the pro-Israel lobby in Washington. The focus of the controversy, as usual, was not whether Jordan had legitimate needs for the arms, or whether it was in the interests of the United States to sell them, but rather whether Israeli military superiority might be even minimally affected by the sale. Congressional opposition to the sale has already been sought by the Israel lobby even though no sale has yet been announced.

The tragedy of the situation is that Israel has used its undisputed military superiority wrecklessly and unconscionably in recent years and it has squandered much of the good will it has enjoyed in the United States. The bombing of Baghdad, the tragic bombing of Beirut which left so many innocent civilians dead, the opposition to the sale of air-defense equipment to Saudi Arabia (and the current campaign to malign those who supported the sale), the harsh and excessive crackdowns in the occupied West Bank (including the closure of Bir Zeit University, the dissolution of the town council of El Bireh and the firing of Mayors Bassam Shaka of Nabius and Karim Khalaf of Ramallah), the annexation of the Golan Heights and the imposition of a news blackout which has brought media coverage of a strike by Syrian Golan Druze opposing the annexation to a virtual halt, and blatant attempts to prevent Egypt from improving its relations with the rest of the Arab World, have caused an increasing number of Americans to realize that Israel is not the besieged underdog that it is made out to be. It has used its unquestioned military superiority not to guarantee or encourage peace but rather to promote expansionist policies at the expense of its neighbors. The real tragedy is that Israel and its supporters cannot see the difference.

[From NAAA News Background, June 1981]

EFFECTS OF ISRAELI ACTIONS ON U.S. NATIONAL INTERESTS

In the past two months, in the heat of an election campaign, Israel has become involved in two crises which threaten to engulf the Middle East in yet another

war; two crises which will test the ability of the Reagan Administration to formulate and execute a foreign policy based upon fundamental U.S. national interests. Israel has precipitated both crises by carrying out attacks on its neighbors with American-built weapons.

The Israeli attacks on Syrian forces in Lebanon (April 28) and on Iraq (June 7) threaten to disrupt Reagan Administration efforts to maintain peace in the Middle East and find a comprehensive solution to the problems confronting Israel and its Arab neighbors. Unless the United States can pursue a firm and consistent policy of restraint on Israel, these attacks will serve only to confirm Israeli and Arab perceptions that no matter what Israel does to its neighbors in the name of self-defense, no matter how disruptive of U.S. interests, goals and policies in the Middle East Israel's actions may be, no matter how brazenly Israel flaunts U.S. laws, including the Arms Export Control Act, and international law, little or no concrete disciplinary action will be taken by the United States. The fact that Israel carried out the raid on Iraq without even informing the U.S. in advance is more than an embarrassment to our government—it indicates that Israel has become so complacent in its relationship with the U.S. that it feels it can pursue any policy it chooses, no matter how reckless, with impunity and without accountability to the United States or the world.

It is precisely this perception by Israel of its non-accountability that is contrary to U.S. fundamental national interests. The Israeli attacks on Syrian forces in Lebanon and on Iraq have had profound negative repercussions on U.S. national interests. Among these repercussions are the following:

1. *U.S. prestige has been damaged.* Third world nations sincerely believe that the U.S. could prevent Israeli attacks on neighboring countries if it would apply pressures on Israel. It is incomprehensible to them (and to many Americans) that the U.S., which provides Israel with vast amounts of economic and military aid, and which keeps the Israeli economy afloat, cannot restrain Israel from attacking its neighbors. The U.S. is held responsible for Israeli actions even as it appears powerless to prevent them. In supporting Israel in the U.N. even after the most reprehensible violations of international law, the U.S. loses prestige in the international community as well.

2. *Relations with U.S. allies in the Arab World have been weakened.* The widespread perception that the U.S. condones Israeli adventurism, even when in fact it does not, has tended to alienate the U.S. from its allies in the Arab World, such as Saudi Arabia and Egypt, and has soured promising improvements in relations with other Arab nations, such as Iraq, which had poor relations with the U.S. in the past. The U.S. cannot consider Israel to be its only ally in the Middle East; it cannot allow itself to be alienated from its Arab allies.

3. *U.S. peace efforts in Lebanon have been undermined.* Israel mistakenly believes that it is in its interests to keep Lebanon fragmented and unstable. Unlike Syria, Israel has never been invited into Lebanon by the legitimate Lebanese government. Instead, it has chosen to support efforts by Lebanese factions to partition Lebanon. Israeli strikes at targets in Lebanon (usually with U.S. weapons) have had the effect of undermining promising internal Lebanese peace negotiations. Moreover, the attacks on Iraq and on Syrian forces in Lebanon have brought the negotiations that are being conducted by U.S. Special Envoy Philip Habib to the brink of failure.

4. *The Camp David peace process has been threatened.* Egypt has characterized the Israeli attack on Iraq as an "irresponsible and unjustifiable crime". The attack was an embarrassment to Egyptian President Anwar al-Sadat and has further isolated him from his Arab brothers. The attacks will almost certainly end all hope of bringing other Arab states into the Camp David framework.

5. *Soviet prestige in the Middle East has been enhanced* as it sides with Arab nations in the U.N. while the U.S. alone stands with Israel. The Israeli attacks have dealt another blow to the Reagan Administration's efforts to persuade Arab nations that the Soviet Union is the greatest threat in the Middle East. The U.S. is thus prevented from forming a "strategic consensus" to counter Soviet influence.

6. *The raid on Iraq has set a precedent* that could be used by other nations as justification to prevent the spread or alleged spread of nuclear capabilities in the Middle East and elsewhere. It is ironic that Israel, which has never signed the Nuclear Non-Proliferation Treaty and which does not allow international inspection of its nuclear facilities at Dimona, should bomb Iraq, which has been a signatory to the Treaty and has allowed international inspection.

Rather than exacerbating the tensions in the Middle East by attacking its neighbors at will, Israel should be seeking ways of reconciling with them. Repeated violations of their sovereignty is not in the national interests of the United States or, ultimately, of Israel. The U.S. can show its truest friendship for Israel by convincing it of the need for self-restraint and by dealing firmly with it when it transgresses the boundaries of legitimate self-defense. *A genuine peace in the Middle East will only be achieved when the spiral of violence and resentment is broken.*

[From the New York Times, July 18, 1981]

A SETBACK FOR U.S. POLICY—ATTACK ON BEIRUT DISRUPTS AMERICAN PLANS FOR A NEW DIPLOMATIC OFFENSIVE IN MIDEAST

(By Terence Smith)

WASHINGTON, July 17.—The Israeli air strikes in Beirut today disrupted the Reagan Administration's plans for what it hoped would be the most intensive and productive several weeks of Middle East diplomacy since the inauguration.

With the Israeli elections over and President Anwar el-Sadat of Egypt due here in less than three weeks, the Reagan policy makers had ambitious hopes of reviving the stalled talks on Palestinian autonomy and building upon the Camp David framework. They hoped to have, with luck, some new initiatives to propose to Prime Minister Menachem Begin when the Israeli leader arrives here in early September.

Officials said that the first step in clearing the air for this diplomatic offensive was scheduled for this morning, when the State Department was to announce a formula under which the United States would resume sending F-16 jets to Israel. The shipments were suspended after the June 7 Israeli attack on an Iraqi nuclear reactor.

Instead, the Administration was forced to postpone that announcement and issue a statement deploring the "intensified violence" on both sides of the Lebanese-Israeli border and calling for a cease-fire.

"A MOCKERY OF ANY STATEMENT"

"The air strikes made a mockery of any statement we could have released today about the F-16's," a frustrated State Department official said. Instead of mentioning the planes, the Administration announcement said that Philip C. Habib, the special Middle East envoy, would immediately fly to Israel from Saudi Arabia to begin talks on a cease-fire.

It was the second time in less than two months that Mr. Begin had embarrassed the Reagan Administration by using American-provided weapons in deep-penetration raids against Arab targets. The raid against the Iraqi reactor was undertaken by F-16's. The Beirut authorities are reported to have photographic evidence that American-built F-4's were used in today's attack but this has not been confirmed. However, the United States provides munitions and electronic devices that are routinely used by Israel. Today's raid, like the bombing of the Iraqi reactor, led to calls for an economic boycott of the United States by the Arab world and accusations of collusion between the United States and Israel.

WIDER FIGHTING FEARED

If nothing else the Israeli raids greatly complicated the Administration's efforts to present itself as an "honest broker" in the Middle East negotiations. They also further isolated Mr. Sadat, who issued a statement today condemning the Beirut attacks.

Some American officials expressed concern today that the Israeli strikes in Beirut would prompt a Syrian response that could lead to wider fighting. With the Egyptian-Israeli peace treaty in effect, full-scale war seems unlikely, the officials said. But they said that the treaty did not preclude a "war of attrition" along the Israeli-Syrian border similar to the artillery and air duels across the Suez Canal in 1969 and 1970.

Mr. Habib's first task will be to do everything possible to contain the fighting. Officials said today that they assumed he would attempt to extract a pledge of restraint from Mr. Begin in Jerusalem and then fly to Damascus for discussions with President Hafez al-Assad of Syria.

In addition, the United States will have to prepare a strategy for the special session of the United Nations Security Council requested by Lebanon after the raid. Although a preliminary discussion of the attack is scheduled for this evening, the Council is not expected to begin negotiations on a resolution until next week.

U.S. LIKELY TO VETO SANCTIONS

In a situation similar to the one after the raid on the Iraqi reactor, the United States will find itself confronting demands for sanctions against Israel. State Department officials predicted tonight that Washington would veto any proposed sanctions, but would consider voting for a moderately worded resolution condemning the violence on both sides of the border.

Whatever the outcome, the Administration's Middle East policy makers will have a sharply different agenda over the next few weeks from the one that they had anticipated. Instead of building a basis for new negotiations, they will be putting out diplomatic fires.

As for the F-16's, the Administration is committed to making a decision by Tuesday, when the next shipment of six of the aircraft is scheduled to leave for Israel. That deadline may have to be postponed, however, if the diplomatic furor over today's air strikes is still raging.

[From the Washington Post, July 22, 1981]

MADMAN FOR AN ALLY?

(By William Raspberry)

It's hard to guess what Israel's Prime Minister Menachem Begin hopes to achieve by his latest wave of violence.

When he ordered the bombing of Iraq's fledgling nuclear facility, the initial explanation was that it was to prevent the Iraqi government from developing atomic bombs with which to attack Israel. He claimed to know for certain that the facility included a subterranean plant for the manufacture of nuclear weapons.

News reports were full of stories that Iraq's Arab neighbors were secretly glad the installation had been destroyed—that they had even acquiesced in the violation of their air space by the Israeli bombers—because they thought Iraq to be more of a threat to peace than Israel.

Subsequent announcements by those in a position to know—including the French, who built the facility—revealed there was no such bomb factory, and that there existed explicit agreements to prevent one from being built. Then the Saudi government, supposedly among those secretly glad Arab neighbors, announced that it would finance the rebuilding of the facility.

Thus the official Israeli explanations fell flat, leaving as the reigning explanation for the attack, the likelihood that it would give Begin an edge in his excruciatingly close bid for re-election.

Now, before the political and diplomatic dust from that raid has settled, Israeli planes have bombed Beirut, and again we are trying to guess his motives.

Retaliation for a rocket attack near the Lebanese-Israeli border in which three people were killed? That hardly seems plausible, considering that the toll of the Beirut attack was something like 300 dead and 800 wounded. Even for Begin, whose guiding principle seems to be two eyes for a tooth, a 300-to-one ratio seems excessive.

An attempt to pressure the Lebanese into denying haven for Palestine Liberation Organization terrorists? Surely the failure of that policy must be manifest by now.

Then what? The Palestine Congress of North America calls it "Begin's war of genocide against the Palestinians." Even many of Israel's friends in the United States acknowledge that the raids were excessive. What does Begin hope to accomplish?

It must be clear, even to those who love Israel, that Begin's bloody policies are dangerous, not just for the United States but for Israel itself. That tiny country, surrounded as it is by enemies, cannot hope to survive forever on the basis of U.S.-supplied military might alone. At some point, it will have to try to make

peace with its neighbors or wind up isolated in the world. That peace must, it seems equally clear, entail negotiations with the PLO, with a view toward establishing a homeland for the Palestinians whose homelessness is a direct result of the establishment of Israel.

Egypt's Anwar Sadat gave Israel its big chance for peace when he went to Israel in November 1977, in an attempt to break the psychology that had rendered Israeli-Arab negotiations virtually impossible. But instead of using the Sadat statesmanship as an opportunity for peace, Begin used it to take the Egyptian Army out of the Middle East equation. If that caused immense difficulties for Sadat among his Arab brothers, Begin seemed not to care.

Begin's latest adventurism may be his most dangerous for Israel. The signs are everywhere that the American people are growing tired of supporting a bully. The impatience with Begin will, sooner or later, translate into impatience with Israel. When that time comes, Israel's troubles may well be irreversible. Nor will it help, in that event, to point out that the PLO must accept a major share of the blame for the hostilities in the Middle East.

The crucial fact, for U.S. policy, is that Israel's terrorism is U.S.-supplied and U.S.-financed. The planes that bombed Baghdad and Beirut were F16s furnished by the United States on the condition they would be used as defensive purposes only. Already, the Palestinians—and not just the PLO—are making the case that the failure of the United States to take strong action against Israel for violating the terms of the arms agreements amounts to a tacit complicity of the United States in Begin's madness.

The question of what Begin hopes to accomplish by his newest adventures is, so far as U.S. policy is concerned, largely irrelevant. The fact is that America has a madman for an ally. Either it must do what it can to restore him to sanity, or else close out the arms account that has seen the transfer to Israel of billions and billions of dollars worth of American military hardware in the past decade.

Giving blank checks to Begin is simply too dangerous a policy to continue.

[From the New York Times, Dec. 30, 1981]

THE UNITED STATES AND ISRAEL

(By Harold H. Saunders)

WASHINGTON.—Israel's quasi-annexation of Syria's Golan Heights raises questions about whether Israel and the United States can still work together for peace in the Middle East.

Friendship requires friends to say straightforwardly what the expectations and limits in their relationship are. The relationship between America and Israel is dangerously strained—by Israelis who act as if the relationship is a one-way street and by Americans who will not state openly where the limits are.

The United States is rightly committed to Israel's security and well-being. But Israeli actions make us ask what kind of Israeli policies we are expected to support. Americans have a right to ask their Israeli friends what Israel really wants. Israelis have a right to ask what America will support.

Vital American and Israeli interests are at stake. On such issues, no sovereign nation can give even its best friends a blank check, or a veto over its policies.

Israeli-United States cooperation since 1967 in pursuit of Israel's security has been based on four premises that now are in question.

1. Israel's long-term security depends on its being accepted as a state in the Middle East and on peace with its neighbors.

Israel has a choice between two sets of risks. It can try to survive as a fortress, or ghetto, amid hostile neighbors in overwhelming numbers. Or it can seek peaceful and normal relations with appropriate safeguards for security.

Neither course is risk-free. But since 1967 the United States has proceeded on the premise that secure and recognized borders in a peaceful relationship are a sounder guarantee of Israel's future than expanding borders, which provide a cause for prolonged conflict.

Israeli withdrawal from the Sinai led us to believe that Israel shared this premise. Now Israel's actions on the Golan Heights and in the West Bank say to the world that the act of extending borders is more important than peace.

2. Peace must be negotiated—not imposed.

Israel has insisted since 1967 on negotiation. Washington has tirelessly argued with Arab governments that negotiating peace with Israel is the only practical way to resolve the conflict. Syria and the Palestinians have responded ambiguously.

A negotiated solution is not a winner-take-all solution. Negotiation requires settling major issues by compromise—not by imposing one side's will. How can the United States credibly argue that negotiation is the only way to resolve the conflict when Israel is imposing its solution to major issues in the West Bank and on the Golan Heights by fiat? Negotiation itself is the victim.

3. A negotiated peace requires Arab acceptance of Israel and Israel's withdrawal from territories occupied in 1967. That is the essence of United Nations Security Council Resolution 242.

For more than three decades, the issue in the area of the former mandate of Palestine has been how Arabs and Jews can live together in peace. For more than three decades, the working premise has been that the land would be divided between them.

Israelis have their state. Palestinian Arabs live under Israeli military occupation. Israeli policies in the West Bank since 1977 seem bent on permanent control. Now Israel has acted to perpetuate its control of the Golan Heights.

Can we still work from the premise that Israel will withdraw in return for acceptance and peace?

4. Israel and the United States have common strategic purposes.

We have assumed that Israel and America share an interest in strengthening moderate Arabs, who will work to minimize the Soviet position in the Middle East. How can Washington credibly persuade moderate Arabs that both sides share common objectives if America seems to support Israeli annexation of territory that the Arabs feel Israel should leave if justice is to be done?

Clarity about the premises of cooperation are vital to the health of the American-Israeli relationship. Each side must face up to reality. Are we on the same wave length or not? Clarification of these premises should have been on the agenda of the first talks between President Reagan and Prime Minister Menachem Begin, in September. It was not.

We cannot risk working from diverging assumptions much longer. Americans—official and private—are doing a “slow burn” about Israel's going its own way while expecting unlimited support. Israelis doubt whether American support is durable. If we are not honest with each other, we will see what a real crisis in the Israeli-United States relationship can be. No friend of Israel wants that.

[NAAA News Background, Dec. 23, 1981]

BASIS OF U.S. POSITION ON GOLAN HEIGHTS

The current U.S. position on the Syrian Golan Heights, as it is on all other territory occupied by Israel in the 1967 war, including East Jerusalem, is that the U.S. will not accept or recognize any unilateral action affecting a change in status. The U.S. position is that the future of all occupied territories is to be negotiated. U.S. policy in this regard is derived from, and embodied in, several official U.S. statements, international law and U.N. Security Council resolutions, including:

Fourth Geneva Convention, August 12, 1949; Charter of the United Nations; U.N. Security Council Resolution 242 and 338; Statement by U.S. Ambassador Arthur J. Goldberg to U.N. Plenary Session, July 14, 1967; Statement by Jean Picker, U.S. Representative in Committee III (U.N.), on Human Rights in Occupied Territories of the Middle East, December 6, 1968; Statement by U.S. Ambassador Charles W. Yost in the U.N. Council, July 1, 1969; Statement by Rita Hauser, U.S. Representative on the U.N. Commission on Human Rights, March 20, 1970; Statement by U.S. Ambassador George Bush in the U.N. Security Council, September 25, 1971; Statement by U.S. Ambassador William W. Scranton in the U.N. Security Council, May 26, 1976; Camp David Accords, September 17, 1978; Statement by State Department, December 14, 1981, on Israel's annexation of Golan Heights; U.N. Security Council Resolution 497, December 17, 1981; and Statement by U.S. Envoy to Security Council, Charles Lichenstein, December 17, 1981, explaining the U.S. position on UNSC 497.

ISRAEL'S GOLAN ANNEXATION: PRESIDENT REAGAN'S ACTION AND PRIME MINISTER BEGIN'S INTEMPERATE RESPONSE

Dr. Peter S. Tanous, NAAA Chairman of the Board, delivered the following statement at a press conference held today at the Washington headquarters of the National Association of Arab Americans:

The NAAA supports President Reagan's firm response to the illegal and unilateral annexation of the occupied Syrian Golan Heights. As Arab-Americans, we consider Prime Minister Begin's venomous and intemperate reaction to the U.S. measures, delivered to President Reagan through U.S. Ambassador to Israel Samuel W. Lewis, to be a most disgraceful insult to our President and to all Americans. Our great country which has given so much to Israel, should not have to tolerate such disrespectful and humiliating treatment by a purported "ally".

Indeed, it is unprecedented for an "ally" of this country to resort to actions so consistently contrary to U.S. national interests or to disregard so cavalierly the most basic tenets of friendship between two nations. It is unprecedented for a "friend" of the United States to demand so much of our nation and give so little in return. It is unprecedented for a nation, which is so utterly dependent on the largesse of the United States that its economy would soon collapse without massive and incessant doses of U.S. economic assistance, to resort to such vitriolic and unrestrained invective against its benefactor. As Americans of Arab descent, we are utterly opposed to Israeli adventurism in the Middle East.

The present rift between the United States and Israel is not surprising. Since President Reagan has taken office, Israel has repeatedly resorted to unilateral actions calculated to embarrass his Administration and thwart sincere American efforts to achieve a just and comprehensive peace in the Middle East. In the past nine months, Israel has attacked Syrian helicopters in Lebanon, bombed a nuclear research facility in Baghdad, bombed innocent civilians in Beirut, vocally and bitterly opposed the sale of air-defense equipment to Saudi Arabia (a cornerstone of President Reagan's foreign policy) and resorted to repressive measures in the occupied territories including the shooting of unarmed teenagers in the West Bank.

The annexation of the Golan Heights, therefore, is merely the latest in a series of actions which have deliberately provoked and antagonized the Reagan Administration. The U.S. response to the earlier Israeli actions has been patient and mild. It would appear, now, that President Reagan has decided that "wrist slaps" do not discourage Israel from provocative actions detrimental to U.S. interests. The firmer policy recently adopted by President Reagan is welcome indeed.

Prime Minister Begin's refusal to consult the United States and heed its advice before executing precipitous and thoughtless actions is intolerable when Israel is able to sustain a marginal economic viability only with massive doses of U.S. aid. At present Israel owes the U.S. \$17 billion. Twenty percent of the \$11 billion foreign aid bill which was recently approved by the U.S. Congress is earmarked for Israel. In this new foreign aid bill, \$550 million in loans to Israel are "forgiven". The monies which Israel uses to repay its loans to the U.S. are actually given to Israel by the U.S. In this bill, 30 year loans are made to Israel which it does not have to start repaying for 10 years. All this at a time when a U.S. veteran cannot get a GI home loan. Israel has been urging our government to allow it to spend hundreds of millions of dollars of U.S. funds on purchases of Israeli manufactured military equipment, all this at a time when many Americans need the jobs associated with such manufacture.

In the face of the financial sacrifices American taxpayers have made for Israel, how can we be expected to tolerate such contemptuous and ungrateful behavior by Mr. Begin. While the U.S. has no right to interfere in internal Israeli affairs, the U.S. has every right to determine how much foreign aid it will give Israel. At a time when budgeting restrictions are causing many hardships for Americans, the U.S. government has an obligation to the American people to ensure that American taxpayers are not subsidizing, through a \$2.2 billion foreign aid giveaway, Israel's illegal acquisition of territory by force.

The U.N. Security Council will meet no later than January 5, 1982, to review Israel's response to the U.S.-supported U.N. Security Council resolution 497 declaring Israel's annexation "null and void". We urge the President to support whatever U.N. action is ultimately required to elicit Israeli actions on the Golan annexation which will be in compliance with International law.

We further urge that beyond the U.S. suspension of the strategic cooperation agreement with Israel (later cancelled by Prime Minister Begin) and beyond the suspension of discussions on the purchase of Israeli manufactured military equipment, President Reagan reevaluate the overall U.S.-Israeli relationship including our massive foreign aid assistance to Israel.

The U.S. must have a relationship with an Israel which seeks negotiated comprehensive peace in the Middle East. There can be no constructive U.S. relationship with an Israel which seeks territorial expansion through force of arms, or an Israel which seeks to humiliate Israel's great benefactor, the United States.

[From the Los Angeles Times, Mar. 26, 1982]

ISRAEL: STRIFE AND FUTURE STRIFE

Last Sunday night Israel state television broadcast film of a shooting incident on the West Bank. The people doing the shooting were two Israeli settlers. The people they were shooting at were local Arabs. While the shooting was going on, Israeli soldiers looked on and did not interfere. The Israeli reporter on the story said the shooting occurred without provocation and without, so far as he could see, reason.

The broadcast created a stir in Israel, as well it should have. It typified in its way what the newspaper Haaretz has called the increasing "brutalization" of Israeli policy on the West Bank, the ever-tougher approach taken by agents of the government and civilian settlers alike.

There are now 25,000 Israelis living on the West Bank. Many of them are armed. Virtually all of them regard themselves as the legitimate inheritors of the territory, and the 900,000 Arabs who live there as interlopers. To some, bullying, vigilantism, the destruction of Arab property—all of which have taken place and been reported in Israel—are responsible tactics in support of a claim to "their" land. The settlers have the confidence that comes from being armed. They have the even greater confidence of knowing that their government stands behind them.

The strife that has shaken the West Bank in the last week is, plain and simple, the inevitable consequence of the Israeli government's undeviating drive toward outright annexation of the territory. Prime Minister Menachem Begin has never sought to hide this goal. Three years ago, in the Knesset debate over the Camp David agreements, Begin was explicit. At the end of a five-year period during which "full autonomy" was to be exercised by West Bank Arabs, Israel, he said, "shall claim (its) full sovereign rights." The Camp David promise of full autonomy has been treated as a fiction by the Begin government in its negotiations over the political future of the West Bank. But the dream of eventual annexation of the territory to Israel has been treated as a reality.

The underpinnings for that reality are being created steadily. Each new settlement, each additional settler strengthens the hand of those who would make Israel's eastern border the River Jordan. Israeli officials talk now of having 125,000 people established on the West Bank within five years. The government controls the allocation of land and of precious water. With these controls, and with the steady spread of Israeli settlements, life can be made not only difficult but unendurable for much of the Arab population. That, of course, is the point. Israel would not stand in the way of any mass departure of West Bank Arabs.

Israelis are sharply divided over the wisdom, the practicality and the morality of what the Begin government is doing. The confidence vote in the Knesset this week on his West Bank policy was evidence of that. Begin had said beforehand that he would resign in the absence of a clear vote of support. The 58-58 vote did indeed prompt him to submit a letter of resignation to his coalition cabinet. The cabinet, firm in its conviction that political survival was preferable to honor, rejected the resignation. Without much ado, Begin was persuaded to stay on.

The only hopeful note in this episode was Begin's suggestion that new elections would probably have to be called in Israel within a year. But a year is a long time. Much can be done in only months to intensify Israel's grip on the West Bank, to alienate the local population even more, to narrow the political options open to any moderate successor government, to blur still further the vital distinction between Israel's genuine security needs on the West Bank and the theological claim of some Israelis to undisputed total ownership

through Divine gift. Though the current strife will come to an end, the seeds of future strife have already been sown.

[From Political Focus (National Association of Arab Americans), Apr. 1, 1982]

U.S. REPORTS ON ISRAEL'S HUMAN RIGHTS RECORD

Following are excerpts from the State Department's recently released County Reports on Human Rights Practices, submitted to the Senate Foreign Relations Committee and the House Foreign Affairs Committee. U.S. law (PL 94-329) prohibits foreign aid to be granted to any country which "engages in a consistent pattern of gross violations of internationally recognized human rights."

ISRAEL

Amnesty International in its 1981 annual report expressed concern about the secrecy in certain military trials under the Defense Emergency Regulations in Israel, particularly noting with concern the strict military censorship which surrounded the trial of 60 Israeli Arabs arrested in early 1981. [An Amnesty International report, as quoted by the Palestine Human Rights Campaign annual report for 1981, concluded "that there exists sufficient prima facie evidence of ill-treatment of security suspects by interrogators to warrant establishing a public inquiry," which Israel has rejected. The PHRC report also says: "Attorneys for Arab prisoners allege that non-public trials take place whenever their clients have been so injured by torture that their condition would be obvious in public courtrooms."]

Freedom of speech, with a few exceptions, is a basic right in Israel . . . all media are subject to censorship on security and military matters.

Israel Arabs from the northern towns of Ikrit and Baram, who were evacuated from their towns during military operations in their region in 1948, have not been permitted to return to their homes, despite assurances at the time that they would be permitted to do so.

Israel is a welfare state with a mixed economy, per capita GNP in 1979 was \$4,150 . . . The parallel education systems in Israel for Jews and Arabs, conducted in Hebrew and Arabic respectively, show a disparity in quality with greater resources per student going into the Jewish system. Nevertheless, the Arab literacy rate of 64 percent is one of the highest in the Middle East. [The literacy rate for Jews in Israel is 90 percent.]

There have been complaints that expropriations of Arab land (although subject to legal review as to purpose and amount of compensation) have been used for promoting Jewish settlement in densely Arab-populated areas. . . . Freedom House maintains in its annual report that, "Arabs are, in effect, not allowed to buy land from Jews, and Arab land has been expropriated for Jewish settlement."

THE OCCUPIED TERRITORIES

The territories occupied in 1977 consist of the West Bank, East Jerusalem, the Gaza Strip, the Sinai Peninsula and the Golan Heights. . . . Arab fears of creeping annexation—heightened by the December Knesset decree by which Israeli laws are to be applied to the Golan Heights as if that area were a part of Israel—[are] combined with the cumulative abrasions of fourteen and one-half years of military occupation to produce continued unrest. Restrictions on Arabs with regard to building homes, establishing businesses, installing generators, or drilling wells, together with the continued establishment of new Israeli settlements and the continuing taking of Arab land—approximately one-third of the West Bank is now Israeli-controlled—continued to produce widespread Arab accusations that the long-term intention of the authorities was the gradual squeezing out of the Arab population. . . . Widespread protests in December over the imposition of Israeli taxes in Gaza resulted in hundreds of arrests, and the shooting of four schoolboys (one fatally) by Israeli soldiers during a demonstration in Rafah. . . .

On at least six occasions, males in villages and refugee camps have been rounded up and held outdoors for extended periods of time, apparently as a form of general punishment for security incidents. . . . Conditions in prisons housing

Palestinian prisoners continue to be a problem. Overcrowding has been acknowledged by Israel prison authorities; however, no significant corrective measures were taken during 1981. . . .

On taking office in 1981, the new Israeli Government indicated its intention to eliminate some military checkpoints and abolish mass punishments in security cases. However, despite reductions in the number of checkpoints, the utilization of mass punishments continued unabated.

It was reported that arrests and detentions occasionally occurred in 1981 without prompt notification to the family.

As of September 1, 1981, there were about 2,448 non-Israeli citizen Arabs in prison for security offenses in Israel or in the territories. Of this number, four were under administrative detention. One has been under administrative detention without trial since 1975.

In contravention of the Geneva Convention, houses of individuals believed to have been involved in terrorism or security incidents or located in the vicinity of terrorist incidents have been demolished or sealed up and families displaced. In 1981, at least one home was sealed up on security grounds and at least 12 houses were demolished, with damage to neighboring houses in some cases. As a result, entire families have been rendered homeless because a member was suspected of a security offense.

The East Jerusalem press is subject to censorship, but is frequently outspoken in its criticism of Israeli policies. Editorial and news items are regularly censored or excised. Orders restricting several editors to their homes or villages have been extended, making it impossible for them to work in their offices in East Jerusalem. Distribution of the English language weekly "al-Fair" through the Israeli Postal System has been banned since several particularly outspoken anti-Israeli articles were published during the spring of 1981. This effectively cut off foreign distribution of the paper.

Educational materials originating in Arab and other foreign countries are screened and censored for allegedly anti-Jewish and anti-Israeli content, or content which is adjusted to encourage Arab or Palestine nationalism. At least 70 books were officially banned in 1981, bringing the total number of banned books to over 7500.

Individuals generally are not arrested because of privately held views, but membership in, or contact with, or expressed support for the aims of proscribed organizations, (e.g., the Palestine Liberation Organization or one of its constituent elements) is grounds for arrest. Display or use of the Palestinian flag or its combined colors is illegal.

Following student demonstrations in the spring of 1981, the Military Government closed several schools, including al-Najah University in Nablus, for several weeks. The Hebron Polytechnic was also closed for several months. Bir Zeit University was closed for several months. . . . Students leaving the occupied territories for multi-year studies abroad have in some cases lost their right to return as a result of nonrenewal of their travel documents. Net emigration from the occupied territories averaged approximately 15,000 per year.

The Israeli government states that it has allowed since 1977 more than 50,000 Palestinians to return permanently to the occupied territories. Several hundred thousand additional Palestinians who left during and immediately after the 1967 war have not been allowed to return.

Israeli settlement activity in the occupied territories has adversely affected the livelihood of considerable numbers of Arab residents, particularly as the result of the taking of land for settlements and for military use. Land utilized by Israel in this way amounts to approximately one-third of the entire West Bank. In many instances, those affected have had to leave farming to become day laborers. Israel has established more than 135 nonmilitary settlements in the occupied territories, excluding East Jerusalem, with a total population exceeding 24,000. Of these settlements, 17 were established in the first ten months of 1981 in the West Bank.

Many settlements are justified initially on military or security grounds, even after conversion from paramilitary to civilian administration, the justification continues to be advanced. Groups of Arab landowners, however, have won several court orders delaying settlement activity.

A further problem results from the use of a part of the West Bank's limited water resources for Israeli settlements. Israeli water control policies in the West Bank and Gaza ensure that water in the area will be available to support the de-

velopment of an infrastructure of Israeli settlements in the territories. Diversion of new water resources to these settlements deprives Arab agriculture and industry of them.

[From Political Focus (National Association of Arab Americans), Apr. 1, 1982]

STATE DEPT. COVERS UP ISRAELI TREATMENT OF PALESTINIANS, SAYS PHRC

The State Department's annual report on human rights practices in Israel and the occupied Arab territories often is strongly criticized for down-playing extreme and continuous violations of human rights. The latest annual report is, typically, a reprint of the previous year's report but with a few up-to-date additions and deletions (See On File.). At best, the report for 1981 is a cursory review.

Several groups closely monitor human rights violations in Israel and the occupied territories, including the International Red Cross, Amnesty International and the Chicago-based Palestine Human Rights Campaign (PHRC). The PHRC recently issued its annual report and charged that by means of "omissions of relevant information" and "intentional ambiguities" the State Department report constitutes a "cover-up of Israel's brutal treatment of Palestinians in the West Bank and Gaza Strip."

For example, the State Department report fails to mention the number of instances of torture reported in the Israeli press. The PHRC report says at least 41 instances of torture were reported in Israeli newspapers last year. The condition of one detainee was described by his lawyer: "He related how he was constantly beaten and shifted from hot to cold showers while in detention. He was trembling and was constantly trying to hide his head and his sex organs as if warding off possible blows." The detainee, Fayez Tarayre, 23, later died from extensive head wounds.

A report by the Israeli League for Human and Civil Rights, quoted by PHRC, describes 10 forms of torture which it alleged were routine practices during interrogation of suspects: forcing detainees to stand for hours, even days, without respite; blows to the genitals; forceful administration of mind-altering drugs; frequent beatings; spraying with stinging gas and chemicals; spitting into the mouths; burning with cigarettes; verbal abuse; threats of sexual assault; and, threats to family members.

The frequency and severity of collective punishment against Arabs is also treated lightly in the State Department report. According to the PHRC report, at least 23 Palestinian homes were demolished last year by the Israeli authorities and three sealed shut because family members were suspected of throwing stones or Molotov cocktails at Israeli military vehicles.

Last year, in violation of the Geneva Convention, Israel built 17 settlements in the West Bank, three in Gaza and four in the Golan Heights, bringing the total since 1967 to about 180, according to the PHRC report. Expropriation of Arab land is also much more serious than the State Department report implies. Last year at least 12,000 acres of privately-owned Arab land was taken by the Israeli authorities in the West Bank alone.

Another measure to force Arabs off their land is Israel's denial of water. Using Government of Israel Agricultural Department statistics, a research team for BBC Television determined that of 53 million cubic meters (MCM) of water available annually for irrigation in the West Bank, 27 MCM of water is reserved for the Israeli settlements with a population of over 20,000, leaving only 26 MCM of water for the 700,000 Arabs and irrigation. Arabs are not allowed to plant new crops that require irrigation.

ABC NEWS,
New York, N.Y., February 18, 1982.

Mr. HARRY ZVI HURWITZ,
Minister of Information, Embassy of Israel,
Washington, D.C.

DEAR MR. HURWITZ: I want to reply to your rebuttal of the "20/20" report on the West Bank Arabs which was broadcast February 4th and to some of the other questions raised concerning the preparation and content of the report.

In undertaking this report, we sought to examine how Arab residents of the

West Bank viewed the Israeli military occupation and how the responsible Israeli authorities respond to specific complaints and charges raised by many residents. Through extensive research and interviews with Arab residents, we found several major areas of contention which provided the basis for our report, including the Israeli settlement policy, the fairness of military justice and security measures, Israeli policy toward the development of Arab institutions on the West Bank, and control of the West Bank water supply.

During our discussions with Israeli authorities, we sought the opportunity for an on-camera interview with a representative of the military government who could respond to the specific charges raised. Our first choice, of course, was Defense Minister Sharon, who during a lengthy meeting with our producers and correspondent, stated that he was indeed the one person who should speak to these issues. He stipulated, however, that he would not permit his interview to be intercut with those of the Arab residents who were charging the military government with mistreatment. It is ABC News policy that such prior conditions restricting the editing of a news story cannot be given. Nevertheless, we continued to urge that either Defense Minister Sharon or any other military government official, including General Darni Matt or General Ben Eleazar, agree to an on-camera interview. As the meeting ended, we were informed by General Sharon's press representative that no interview with any of the responsible authorities would be granted.

We were then left with no choice but to state at the beginning and end of the "20/20" report that Israeli officials had refused to appear on-camera to address the specific issues raised by the West Bank Arabs. We did, however, express the Israeli point of view at various points in the report as best we could.

After the responsible military officials had declined to be interviewed, Israeli representatives suggested the possibility of interviewing several other persons. None of these, however, had any direct responsibility for administration of the West Bank and therefore could not have addressed the specific issues raised by the Arab residents.

Let me now address the four specific areas covered in your rebuttal.

LAND

Israeli settlements on the West Bank have been condemned by the United Nations as illegal under the Geneva Convention and by the United States government as "obstacles to peace." You concede that "occasionally" it has been necessary to confiscate privately-held land, but say it was only uncultivated land. ABC News observed in at least three settlements which we visited that cultivated land had been taken. We observed grapevines and olive trees that had been bulldozed. The report did, however, include an interview with an Israeli settler who supported the view that all lands being taken were property of the Israeli government.

According to a variety of reports based on Israeli statistics, approximately 375,000 acres or 27 percent of the West Bank has been transferred to Israeli jurisdiction. What we reported is that many Arab residents believe that their land, and therefore their livelihood, is being taken from them by the Israeli government. Based on statistics, interviews and our own observation, we found the Arab charges to be credible.

Finally, as you subsequently acknowledged, your rebuttal was incorrect in stating that Correspondent Tom Jarriel said "We are now witnessing the final phases of the liquidation of Palestine." That statement was made by Economist Ibrahim Mattar.

CULTURAL ACTIVITY

You state that four new Arab universities have been created since the Israeli occupation. You neglected to point out that three of them were built with private Arab funds and the other with U.S. Roman Catholic church funds.

We noted several times in the report the Israeli need for security, given the history of conflict in this area. The question, however, as it concerns cultural identity, is to what extent security is used as a rationale for suppressing cultural expression. We found that many Arab residents feel that security has been used as an excuse for stifling their cultural and social identity. They cite many examples of measures taken which have the effect of limiting cultural expression.

We did not report on conditions in West Bank schools, or on the numbers of teachers and pupils. Our investigation, however, found evidence of routine harassment by military authorities of Arab high schools and universities. This has been reported frequently in the Israeli press. Such harassment is often cited by Palestinian Arabs as one among many examples of how the military government impairs development of West Bank institutions.

HEALTH

There may be some question over the size of the population served by the Ramallah hospital, but whether the Palestinian or Israeli number is used, the single baby respirator is considered inadequate under accepted medical standards.

Palestinian doctors claim that the infant mortality rate on the West Bank is 70 to 80 per thousand. Israelis claim it is far lower. Since we had no way to confirm independently either of those figures, we noted the disagreement, but used neither number. We did not assume that one set of statistics was more valid or believable than the other.

It has been pointed out the Hadassah Hospital is only 20 minutes away from Ramallah by ambulance and that it is available to West Bank Arabs. Palestinians emphasize what they say is a cultural reality: Arabs would prefer to use an Arab hospital. Hadassah is an Israeli hospital. It is also in Jerusalem which requires West Bank citizens to pass through Israeli checkpoints, and in life-threatening situations, minutes obviously count. The point made by those interviewed in our report is that Ramallah has not received the kind of financial support it needs from the Israeli government in order to provide adequate care to those it is intended to serve. As stated in our report, Israeli spending on health services in real terms, adjusted for inflation, has actually declined.

WATER RIGHTS

ABC News found no evidence to support the contention that Arab residents and Israeli settlers have received equal treatment over water resources. A 1980 report for the Subcommittee on Europe and the Middle East of the House Foreign Affairs Committee states that, "Since 1968, the Israeli military administration has precluded any drilling of wells for irrigation purposes by West Bank farmers." The report also states that "In the Jordan Valley, the concern apparently is to preserve a water resource that may be needed to meet the future requirements of Israeli settlements."

According to an Israeli military government study, the 17 Israeli wells on the West Bank pump 30 percent of the water to serve Israeli settlers who comprise only 3 percent of the population. Arab water supplies on the other hand, have remained the same since 1967 because, as you point out, no new Arab wells have been drilled. In addition, there is a legitimate debate over whether Israeli deep bore wells deplete the Arab water supply.

We reported that the dispute over water rights in the Jordan Valley represents "one of the most basic Palestinian charges of Israeli injustice." And we believe the example we used was a fair representation of the one-sided competition for water supplies in that area.

In summary, we have fully reexamined the "20/20" report in light of the serious allegations made in your rebuttal of it. We have concluded that our report was a fair and accurate examination of the beliefs and complaints of West Bank Arabs. We reported no charges that we felt could not be arguably substantiated. We stated the Israeli position on key points. It was unfortunate that the responsible Israeli military authorities declined to be interviewed, but that was their decision. Therefore, we must reject the charges of bias, distortion and slander made in your rebuttal.

Whenever ABC News has reported extensively on the Middle East situation, we have been condemned by one side or the other. To imply that for any reason, we have taken sides or that we have been intentionally biased is ridiculous. We stand by this report, and we stand on our record of full, fair and accurate reporting.

Sincerely yours,

GEORGE WATSON,
Vice President.

[From the Washington Post, Apr. 14, 1982]

ISRAELI TROOPS KILL 7-YEAR-OLD IN ARAB RIOT—PROTESTS RISE ON GAZA STRIP

(By William Claiborne)

JERUSALEM, April 13—Israeli Army troops opened fire on Arab rioters in the Gaza Strip today, killing a 7-year-old boy and wounding at least 17 other persons as furious protests against an Israeli soldier's shooting rampage in a Jerusalem mosque continued to sweep the occupied territories.

In a marked escalation of the violence, Palestinian youths tried to break into an Army base near a Gaza Strip refugee camp and were driven back in a fusillade of gunfire. Four Israeli soldiers were injured, one seriously, by rocks thrown in the melee.

In the center of Gaza town, six more Palestinians were shot when Israeli troops opened fire on a rock-throwing crowd.

Gaza Mayor Rashid Shawa said it was the worst day of Arab-Israeli clashes in the territory since the riots of 1971-72, when the Israeli Army bulldozed large sections of Palestinian refugee camps in an effort to curb a wave of attacks against Israeli troops.

On another sensitive front, the Army Command announced that Israeli security forces confronted two Palestinian guerrillas who attempted to infiltrate the West Bank from Jordan early this morning and drove them back across the Jordan River. The guerrillas threw a hand grenade at the Israeli Army patrol, but there were no injuries, the spokesman said.

The infiltration, the third announced since January, came against the background of Israeli threats to retaliate against any perceived violation of the U.S.-sponsored cease-fire agreement of last July. Israel has said it regards all infiltration attempts as violations of the agreement.

About 80 Israelis, Arabs and foreign visitors have been wounded in the angry clashes since Sunday's shooting spree at Jerusalem's Dome of the Rock Mosque. Two Arab guards were killed in the Sunday rampage in which an American-born Israeli immigrant is being held.

Speaking of Gaza, Shawa said in a telephone interview today, "It's a dead man's town. There are only soldiers and jeeps and armored vehicles here. The people don't care any more. They feel they have nothing to lose by attacking the soldiers. They've reached the point of despair."

Palestinian sources and the Israeli Army Command had widely different versions of what happened this morning at the Jabalia refugee camp, where the 7-year-old boy was shot to death.

The Palestinians said a crowd of several hundred protesters marched toward the Army base at the northern edge of the Gaza Strip, waving Palestinian flags and copies of the Koran, and that when they refused to disperse, the Israeli troops opened fire, hitting at least 30 youths.

An Army Command spokesman said a crowd of Arabs stormed the small security base, climbed the fence and threw stones at soldiers inside the perimeter.

"To prevent them from breaking in, the soldiers were forced to shoot," the spokesman said. He said the youth who was killed had been standing with the protesters.

A military spokesman added that the youth bled to death in the ambulance taking him to the hospital when the vehicle was blocked by chanting demonstrators.

The spokesman said the crowd dispersed, and that the Jabalia camp, along with another refugee camp at Neseirat, were placed under curfew.

Hundreds reportedly attended the boy's funeral tonight.

Shawa said a general strike paralyzed Gaza town, and that Israeli troops tried to break the strike by forcing open the steel shutters of some shops and welding shut others as punishment.

Employees of the U.N. Relief and Works Agency, which administers 250,000 refugees in the Gaza Strip, also declared a strike for Wednesday.

Four refugee camps in the occupied West Bank also were placed under curfew following rock-throwing incidents, and the town of Halhoul, near Hebron, was also sealed off.

East Jerusalem and virtually every town in the West Bank remained deserted as a result of the second day of the commercial strike called by the Supreme Moslem Council in protest of Sunday's shooting. A man identified as Alan Harry

Goodman, an immigrant from Baltimore, has been arrested in connection with the rampage.

The Moslem Council, in a press conference today, charged that more than one gunman was involved in the rampage in the Old City's Temple Mount.

Former Jordanian defense minister Anwar Nusseibeh, speaking for Sheik Saad Adnin Ami, said officials of the council had found that gunfire had been directed at Arab worshipers from more than one direction during the shooting spree.

"It is obvious from the nature of the damage that it was not only one person who fired the shots on that occasion. It is obvious from the nature of the damage that the shots came from outside the area of Haram Sharif [the Temple Mount]—from the west, from the southwest and, most significantly, from the southeast, all of which would seem to indicate that there was or must have been some sort of coordination in perpetrating this tragic incident," Nusseibeh said.

The reference to the southeast was to the Old City's Jewish quarter, which filled with Israelis immediately after the mosque shooting. Some of the Israelis were carrying weapons. Some civilians carrying rifles were seen by reporters entering the Temple Mount during the disturbances that followed the shooting inside the Dome of the Rock.

In its press conference, the Moslem Council offered no concrete evidence of a coordinated attack on the Arab worshipers or the involvement of anyone other than a single gunman. Goodman was arrested inside the mosque with an M16 rifle.

However, according to members of the family of one of the two Arabs believed to have been slain in the initial burst of gunfire shortly after 9 a.m., Jihad Ibrahim Azzizi Bader, 21, was shot at 10:30 a.m., more than an hour after the shooting erupted.

Police officials, under orders by Interior Minister Yosef Burg to impose a news blackout on the investigation, refused to comment on the chronology of the shooting episodes on the Temple Mount.

Senator BOSCHWITZ. Thank you, Mr. SADD.

I must tell you that it comes as something of a surprise, too, at the very moment when Israel is withdrawing in its final step of the Camp David accords and undertaking such great risks, that at such a moment you would suggest that we withdraw our aid and help that we have given that country, which probably has had a not insignificant impact on the fact that this peace plan, Camp David, is going forward.

Would it not be an inappropriate moment to take some of the actions that you are suggesting?

MR. SADD. Mr. Chairman, Israel has its interests. The United States has its interests. There are times when these interests do not coincide. What we are recommending is that there be a framework.

Whether it be an annexation of the Golan Heights, which our Government condemns as illegal and void, or whether it be expenditures of funds in the West Bank, I have heard a Jewish Government official estimate that \$50,000 per settler has been spent on the 20,000 to 25,000 settlers in the West Bank. This is a \$1 billion to \$1.25 billion number.

Even as the date for the Sinai pullout approaches, we have been very concerned whether our Government has sufficient leverage to prevent the possible attack into Lebanon. And we have seen the removal of democratically elected mayors. We have seen a pattern of shootings of young people, which is intolerable to us.

What we are recommending is that there must be a better way for the U.S. Government to indicate to Israel and indeed measure out our support of Israel when its policies do not coincide with the national interests of our Government.

Senator BOSCHWITZ. You think this would be the right moment? Some of the things you say about the unpleasant tensions that are existing, just before this April 25 date, are certainly correct and are

certainly more than unpleasant. I might point out that there were no democratically elected mayors prior to the Israelis occupying the West Bank at all, during the period of Arab occupation of that area.

You did not directly answer the question. But do you feel that this is the time? Certainly, the Israel and United States interests are not always identical. No two countries' interests are. But this would be a moment, in your judgment, to withhold aid to Israel even on the eve of the culmination of the first part of the treaty?

Mr. SADD. Let us reflect upon the comments of some of our State Department officials expecting a new day, a new age, with the pullout from the Sinai, and let us remember that the Camp David agreement was a two-handed agreement. There was to be a pullout from the Sinai, and there was to be a—

Senator BOSCHWITZ. There was to be a what?

Mr. SADD. A two-handed agreement. A withdrawal from the Sinai, and there was to be the development of an autonomy for the West Bank and Gaza.

We are having a pullout, a withdrawal, from the Sinai. But there has simply been a miserable and completely lacking effort at developing an autonomy for the West Bank as the first step toward ultimate self-determination.

The Israeli policies in the West Bank—the control of water, the control of land, the interminable police repression—have been allowed to go unfettered by us. In my mind, this continuous Israeli policy will ultimately poison the waters and prevent ever any prospects of broadening that peace process.

We as a government have not provided ourselves with any lever over the past couple of years to prod Israel in the right direction when, in fact, it has not been living up to what we thought the bargain was with regard to autonomy. And it is the cumulation of this lack of our Government prodding Israel when necessary that leaves us in a position where we say, my gosh, we cannot threaten the pullout, Israel can do just about whatever it wants.

Your question is. Is this the time? I think yes, it is always the time. If there is human repression, if young people are being shot, yes, we must always stand up and say it is the time.

Senator BOSCHWITZ. We thank you gentlemen for coming. The hearing has run a little longer than I had anticipated, and I have been informed that I have to be elsewhere. But we thank you all for coming. And we thank you for your testimony.

This meeting stands adjourned.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

Question 1. The United States is extending large FMS credits for a number of states in the Mideast. These loans are at a very high interest rate. Several of the nations involved will be expending a significant portion of their income servicing these debts in coming years.

Have we discussed this question with the governments of these countries?

Do these states anticipate that the United States will cancel or alter the terms of these debts in the future?

Answer. We give careful consideration to the costs of FMS credits and the strains that these loans will place on the recipient countries before we enter into

the loan agreements. During the consideration process, we of course consult with the recipient governments. These consultations include issues such as repayment schedules and the burden these costs will place on each economy. The governments in question are aware of the obligations they are contracting. They are also fully aware that the United States cannot cancel or alter these debts at some future time.

EGYPT—IMPLICATIONS OF CASHFLOW

Question 2. The GAO estimates that the United States has allowed Egypt to order \$3.5 billion of military equipment since 1979 although only \$2.05 billion in credits has been allocated. This has allowed Egypt to place more orders sooner to expedite delivery and minimize the impact of rising costs. At the same time, the GAO says "it appears to us to commit the Congress to large financing programs in future years to ensure that signed contracts are honored." Doesn't this put the Congress in a position of approving substantial future FMS credits to Egypt or breaking agreed-to contracts?

Answer. We have specifically told the Egyptians that we cannot commit the Congress in advance and that assistance levels in fiscal year 1983 and beyond must be subject to Congressional action.

We are, however, clearly committed to a long-term support relationship for Egypt on both economic and military fronts. This commitment stems from Egypt's needs and the strong support which it in turn has offered us on regional peace and security issues so vital to our interests. Moreover, this commitment has been fully supported in the Congress and by the public.

It was in this context that we agreed—and so informed the Congress—to fund the Egyptian program under the "cash flow" system. As the GAO report notes, this system does permit Egypt to defer funding of out-year payments until the year in which they come due. Rational planning and timely orders, allowing for existing lead times, require utilization of this system if our program is to be responsive to Egypt's requirements. However, while the system does carry with it the assumption that Administration and Congressional support for Egypt will be maintained, the Egyptians fully understand that, should future funding levels be cut, Egypt will still remain responsible for out-year payments. Moreover, termination liability costs are included in the annual schedule of payments on given equipment orders to ensure that U.S. interests would be protected in the unlikely event that funding levels are cut and Egypt cannot meet the remaining obligations from its own resources.

EGYPT—OUTYEAR COMMITMENTS

Question 3. Is it accurate that on the basis of all current purchases, including the second sale of F-16 and additional tank purchases, that all of the fiscal year 1983 and fiscal year 1984 and part of the fiscal year 1985 funds projected for authorization are already committed to programs underway? Does this mean that Egypt would have to have additional credits above amounts already projected to finance any further purchases in that time period?

Answer. Allowing for the allocation of necessary funding from the fiscal year 1983 FMS program for follow-on support of programs already initiated, the proposed fiscal year 1983 funding level of \$1.3 billion is in effect totally committed, once the remaining LOAs on agreed programs have been signed. This is not true, however, for fiscal year 1984, assuming continuation of the same \$1.3 billion level. Presently outstanding commitments, those anticipated under new IOAs and continuing allocations for a follow-on support total just under \$700 million for that year. There would be a slight decrease in the level of these commitments in fiscal year 1985.

As a result of the above projections, Egypt will not be able to place any new orders in fiscal year 1983 beyond those already contemplated unless it is able to provide additional funding from its own resources. New orders would, however, be possible in fiscal year 1984 assuming a straight-lining of the proposed fiscal year 1983 level.

Question 4. The recent AID study on the Egyptian economy and debt repayment prospects suggests that while Egypt has not had problems repaying its FMS loans so far, repayment costs will be rising to nearly half a billion dollars a year by the middle of this decade.

Are you concerned by the prospect of the growing debt servicing burden for Egypt?

Answer. We are concerned with the rising debt service burden of Egypt. The pessimistic outlook for oil prices, high domestic consumption of energy which decreases Egypt's oil export potential, economic management policies, and investor uncertainty over future trends in the country's plans, raise serious questions as to Egypt's ability to continue to borrow at present levels. Service payments on foreign debt are projected to rise at a faster rate than exports during the period 1982-85. The level is not high by international standards and could likely be met if the debt profile, the maturity of loans outstanding, and interest rates do not material change from current levels. Rapid accumulation of obligations for projects of marginal productivity or to finance consumption would materially change the projections. While the outlook for this year and the immediate future is not necessarily a cause for alarm, the early adoption of sound economic management and export promotion policies are vital for the continued economic health of the country. New directions and new incentives will be needed to sustain continued economic growth and to service its debt repayment schedule.

Question 5. The AID study notes that Egypt's oil revenues are declining and the country now suffers a current account deficit. Non-oil exports are also declining.

Do these declines represent a long-term trend or are they the result of temporary economic conditions? What are the likely consequences of this decline?

Answer. The AID study notes that the rate of growth in Egypt's oil revenues will likely slow down. Non-oil merchandise exports are stationary and on real basis have declined. The cause of the slowdown in the growth of oil revenues stems from the decline in oil prices. Prices have declined 18 percent since the beginning of 1981. It is unlikely that in the long term the future rise in prices will be as rapid as they have in the past. The large increases in foreign exchange revenues of which oil receipts were a large part, enabled Egypt to finance rapid economic growth, while sustaining a large investment program and providing real increases in consumption. Without this source of earnings, new sources of export earnings will be required if economic expansion and living standards are to continue to increase. This will require new economic policies to encourage the expansion of non-traditional, non-oil exports.

Question 6. On his recent visit to Washington, President Mubarak sought a number of changes in the U.S. AID program to Egypt. Could you summarize the substance of the changes sought by President Mubarak? What is the Administration planning to do?

Answer. The more flexible forms of assistance specifically sought by Egypt during President Mubarak's February visit were in the areas of sectoral assistance, incremental budgeting, higher levels of funding for the Commodity Import Program, and greater use of Egyptian experts. The objectives sought through these changes are more rapidly disbursing assistance, reduction in the existing pipeline, and a heightened Government of Egypt role in the programing and administration of U.S. assistance.

Our response to Egypt's request are spelled out in the statement of principles on Greater Support to Economic Progress in Egypt concluded at the time of the Mubarak visit and may be summarized as follows:

Sectoral Assistance. A number of our more recent projects are sector-like in design. These include our decentralization projects and Basic Education. We are prepared to consider broader sector activities in support of economic reform actions the government has indicated it expects to adopt.

Incremental Budgeting.—This is historically a common approach for technical assistance projects in many countries. In Egypt we have generally operated on a life of project funding basis. The GOE has asked, and we have agreed, to consider greater use of incremental budgeting so as not to unnecessarily tie up funds which could be used for other priority activities.

Increased CIP.—The GOE views the CIP as a flexible and effective mechanism to support both economic stability and developmental objectives. We have agreed to consider continued high levels of CIP if it can be demonstrated that CIP is the most effective means for supporting some of the economic structural adjustment measures the government is considering.

Greater Use of Egyptian Experts.—We fully agree that recipient country expertise should be utilized to the maximum extent it is available.

Question 7. One of Egypt's problems has been its rapidly growing population which is now about 43 million. According to AID documents, \$25 million was to be used for population programs for fiscal year 1982. What is future funding likely

to be? What is the attitude of the Mubarak government's commitment to family planning?

Answer. AID's fiscal year 1983 Congressional Presentation projects population program support of \$125 million in the period fiscal year 1983-1987, at the average rate of \$25 million per year. The specific project design programming documents are currently being developed. We anticipate the new project will build on the activities of the current project.

On February 14, 1982, President Mubarak revealed his personal views in an address to Egypt's top economic and financial planners and political leaders. He said the present growth rate "... obstructs development efforts. It stands in the way of realizing our hope to improve living conditions in Egypt for all Egyptians. It confines our ambition to preventing further deterioration of present conditions. This we cannot accept..." He went on to point out the dire consequences of projected population growth of the next 20 to 50 years.

EGYPT—ADDITIONAL AIRCRAFT

Question 8. On March 23, Congress received the formal notification of the proposed sale of a second batch of 40 F-16s. With the purchase announced last year of 20 French Mirage's, Egypt would have a front line force of 100 new "top-of-the-line" fighter planes plus the older Phantoms and Soviet Migs.

Is Egypt planning additional aircraft purchases?

What was the U.S. attitude toward Egypt's purchase of the French Mirage's?

Answer. While no final decisions have been made, Egyptian planning calls for some additional aircraft purchases to replace existing planes which will be retired in coming years. Five years from now, even if everything now being considered has been ordered and delivered, Egypt will still almost certainly have a smaller air force than it has today. The sources of funding for any such purchases has also not yet been fixed. It is anticipated, however, that U.S. military assistance will remain a long-term effort, which should result in U.S. credits being available in fiscal year 1984 and beyond. Egypt may also find additional sources of support for its military needs, either internally or, more likely, from other countries.

Egypt already has other versions of the Mirage in its inventory, and had been talking with the French Government for some time about a possible sale of Mirage 2000 aircraft. We recognize the need for additional fighter aircraft and realize the limitations in the near term of purchases possible under our FMS program. Hence, the attractiveness to the Egyptians of the French offer, with concessional financing, is understandable. We remain somewhat concerned about the impact of yet another type of aircraft on Egypt's ability to make maximum use of those supplied under our own programs, but we respect the capabilities of the Egyptian Air Force and believe absorption issues will be manageable.

EGYPT—EXTERNAL THREATS

Question 9. What are the major external threats facing Egypt? Does Egypt have the ability to meet these threats?

Answer. Egypt is concerned by the threat posed by the Soviet Union and its surrogates in the region, not only to Egypt itself but to its allies such as Sudan and to other friendly states. The most immediate threat is that posed by Libya, heavily armed with a wide range of the most modern Soviet hardware. In terms of manpower, Egypt is more than a match for Libya, but it falls well short in terms of quantity and quality of existing hardware.

More generally, Egypt is faced with the rapid deterioration and obsolescence of much of its existing Soviet inventory. Unless it takes further steps now to replace and modernize a portion of that equipment, its ability to respond to possible threats in the future will be greatly reduced. Moreover, the perception of a greatly weakened Egypt could well serve to invite further threats, both direct and to other moderate states in the region.

EGYPT—EUROPEAN MILITARY SALES

Question 10.—Do we support the efforts by the Western Europeans to sell additional equipment to Egypt? How are these purchases being financed?

Answer. We recognize that we cannot meet all of Egypt's needs in the near to medium term, and thus understand the desire to explore other sources of support. Potential problems may result from a multiplicity of sophisticated weapons sys-

tems in the Egyptian inventory, but Egypt is conscious of that issue and will, we are confident, make its decisions accordingly.

Funding of any purchases from other countries remains a problem for Egypt and has, in fact, severely limited the extent of such purchases in recent years. Generally, European suppliers and governments have been reluctant or unable to extend favorable credit terms. The recent sale of Mirage aircraft and other items was made possible by an offer of such support by France, but we do not anticipate a major increase in European credits. Whether Egypt is able to obtain support from other sources—e.g., from Arab oil states should improvement in relations occur—remains very much a matter of speculation.

EGYPT—COST OF F-16'S

Question 11. The second batch of 40 F-16's for Egypt is to cost \$1.4 billion. What was the cost of the first 40 planes and why the higher cost per plane than those sold to other countries? Why the increases? The Egyptians have mentioned their concern about rising costs of aircraft, tanks and other equipment we have sold them. What is the explanation?

Answer. The anticipated cost of the second 40 F-16's is just under \$1.3 billion as compared to roughly \$950 million for the first forty. The increased costs reflect primarily inflation factors. The overall high cost of the equipment being purchased is indeed a problem. Clearly manufacturing costs and reasonable profit must be covered; given the sophistication of much of the equipment Egypt is acquiring, this results in very high price tags.

With reference to comparisons of costs to different countries, this can only be done on the basis of a detailed examination of the Letter of Offer and Acceptance to determine exactly what is included in a given purchase. The same model aircraft, for example, can vary widely in its specifications and accompanying hardware. Training packages and subsidiary support are also likely to differ sharply from country to country. There is, however, no discrimination between countries regarding costs of individual components of a total sales package; on a given day in cases when the Defense Security Assistance Agency is the executing authority, charges for a specific piece of hardware will be identical for all countries.

Question 12. The Jordanians have purchased 36 French-made Mirage's according to published sources. Have they taken delivery?

Answer. We understand 17 of the planes have been delivered.

OMAN

Question 12. Press reports indicate that the Omanis may be requesting more aid—perhaps more than a billion dollars—in the future as part of its key role in United States strategic plans. How accurate are these reports?

Answer. Although the Omanis have indicated that they believe they should receive much more security assistance (including the introduction of grant arms assistance) than is presently the case, we have received no formal request for increased arms assistance. We have, however, received a request that our military construction program in Oman be increased. This request is under review.

Question 14. How important is Oman to our strategic planning?

Answer. Oman has strongly supported U.S. security interests in Southwest Asia. It is the only country in the Persian Gulf area which has granted U.S. forces in the Indian Ocean access to use its facilities for logistic support, and as a staging point in the event of mutually-recognized contingencies. Continuation of this access is crucial to our effort to maintain and further develop a strategic position capable of deterring further Soviet encroachments in Southwest Asia.

YEMEN ARAB REPUBLIC

Question 15. In these difficult financial times, the United States has had to cut back on assistance to many deserving countries. However, the Yemen Arab Republic (North Yemen) will receive an increase in FMS credits, at a concessional rate, and development assistance. Why is this program being increased while others such as Sri Lanka, India and Bangladesh are being reduced?

Answer. The Yemen Arab Republic is presently resisting a well-armed, Marxist-led insurgent group, which is supported directly by South Yemen,

Libya, and Syria, and indirectly by the Soviet Union. In cooperation with Saudi Arabia, the United States supplied the YAR with a significant quantity of military equipment during the 1979 border war with South Yemen. To utilize this equipment effectively to meet the present threat, the YAR military requires training in its operation and maintenance.

It should be pointed out that our direct security assistance program was initiated only in fiscal year 1982, and even with the proposed increase, remains a small one.

Our development assistance program in the YAR remains very modest even with the proposed increase. The country faces enormous difficulties in its efforts towards economic and social development, and in dealing with the political, economic, and social factors which underlie the National Democratic Front insurgency. We have encouraged other donors—such as Saudi Arabia—to increase their assistance to the YAR, and they are doing so. By increasing our assistance by this very marginal amount, we will enable the continuation of ongoing programs and projects while demonstrating to both the YAR government and other donors the seriousness with which we view the situation in this very poor country.

Question 16. Are there Soviet advisors in North Yemen? How many? Are the Yemenis purchasing most of their military equipment from the Soviet Union?

Answer. The Soviet Union has been a principal supplier of military equipment to North Yemen since 1954, when it first began an arms relationship with the government of the Iman. As part of this relationship, the Soviets have supplied military training both in Yemen and in the U.S.S.R. We believe that there are presently between 500 and 800 Soviet advisors in the YAR.

Since the mid-1970's, we have provided approximately \$500 million worth of military equipment to North Yemen, with Saudi Arabian funding. The YAR military continues to be provided with more Soviet than American equipment, but we believe our efforts have been successful in providing a balance to Soviet influence.

Question 17. Because of limited resource availability, developmental assistance programs have been reduced for all of Pakistan's neighbors in South Asia. The total reduction is about \$20 million.

Is the reduction of assistance justified in light of the large increases for Pakistan?

Answer. The large increases for Pakistan are mandated by crucial security considerations. The question of reduction of programs for the other countries of South Asia is not one of justification but of grim necessity in the face of limited resources and extreme budgetary constraints. We deeply regret that cuts elsewhere are necessary.

Question 18. Do the reductions indicate any changes in our bilateral relations with these nations?

Answer. No, the reductions in the other South Asia programs are not intended to indicate any changes in our bilateral relations with these nations. Rather, the reductions reflect the tight overall budget situation. Our relations with these nations remain good and we are committed to assisting in their development efforts. In the case of India particularly, we want to have a constructive relationship reflecting the important role India has in the region. The invitation to Mrs. Gandhi to visit the United States is another step in that direction.

Question 19. During last year's conference on foreign assistance the Administration assured Senator Glenn that all \$200 million would be provided to Pakistan in ESF. None would be provided in developmental assistance. This view was explicit in the conference report:

"In providing fiscal year 1983 economic assistance funds for Pakistan from economic assistance authorities, it is the intention of the Committee of the conference that funds will not be taken from development assistance accounts, but that development projects currently planned will be funded by the economic support funds."

Why has the Administration ignored their assurance to Congress?

Answer. The Congressional proposal to provide the entire \$200 million for Pakistan in ESF would have created intolerable distortions in ESF country allocations under our absolute global ceiling. Nevertheless, we made a major effort to accommodate Congressional intent to the very limits of our flexibility. The result was our current proposal for \$175 million in ESF and \$25 million in DA. We consider this to be a reasonable reconciliation of conflicting budget demands.

Question 20. Last year the Administration presented a 6-year \$3.2 billion assistance program. The Committee supported the concept of this plan. Does the Administration intend to adhere to its previous proposals?

Answer. Yes, the 6-year package was the result of careful deliberation and extended consultations with the Government of Pakistan. A failure to make good on this commitment would deal a serious blow to a promising new bilateral relationship. U.S. credibility would be put in question everywhere, but especially in the eyes of nations crucial to the security and stability of Southwest Asia and to the reliability of our access to Persian Gulf oil.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS
SUBMITTED BY SENATOR PELL

Question 1. The Foreign Aid Authorization enacted last year states "In authorizing assistance to Pakistan, it is the intent of Congress to promote the expeditious restoration of full civil liberties and representative government in Pakistan."

Has U.S. assistance led to any improvement in the human rights situation in Pakistan or steps toward the return to democratic forms of government? If so, what specific improvements have occurred? By what date should we expect a return to democracy in Pakistan?

Answer. As you know, we are at the very beginning of our proposed multi-year assistance program for Pakistan. Indeed, the first monies from the fiscal year 1982 appropriation of \$100 million in ESF were only disbursed in March 1982. It is obviously too early to judge how the U.S. assistance program has impacted on Pakistan's human rights performance. At the same time, we would note that a Federal Advisory Council, composed of representatives of Pakistan's four provinces and broadly representative of various segments of Pakistan's society, has been appointed; that prior censorship of the press and other written media has been lifted; and that President Zia indicated that conditions might be such as to permit elections in 1983.

Question 2. What is the number of political prisoners currently detained in Pakistan?

Answer. The Government of Pakistan has stated on several occasions that the number of political prisoners currently detained is 62. Our own estimates are that from several hundred to over a thousand persons in this category are detained. However, there is probably a difference in definitions; some of those we consider detained on political charges may be considered as being detained on criminal charges by the Government of Pakistan.

Question 3. Has the United States Government raised specific human rights violations with the Government of Pakistan? If so, what was the response?

Answer. We have engaged in discussions with Pakistani Government officials concerning human rights conditions in Pakistan. We will continue to do so through private diplomacy. It would be inconsistent with this policy, and probably counterproductive to our human rights objectives, to go into the substance of these confidential discussions publicly.

Question 4. In its recent report on Pakistan, Amnesty International concludes "that the abuses described in this report amount to a consistent pattern of gross violations of human rights."

Does the Department consider the Amnesty International report factually accurate? If not, what specifically in the report does the Department find inaccurate?

Answer. The Amnesty International (AI) report and the Department of State's 1981 Human Rights report on Pakistan both identify several areas of common concern with regard to human rights conditions in Pakistan. The two reports differ, however, in their method of analysis and in several fundamental conclusions.

To cite some differences in format and methodology:

The State Department report is essentially limited to developments in 1981 whereas the AI report cites incidents not only from 1981 but from previous years. The AI report, while claiming a deteriorating situation for the whole of 1981, cites evidence almost entirely from the first part of the year. The Department report covered all of 1981 and noted substantial improvements in human rights conditions during the second half of 1981. The AI report, aside from brief con-

ments in its introductory section, devotes little attention to the external security environment and does not take into account human rights violations perpetrated by Al-Zulfiqar and other groups. The Department report, in contrast, takes account of the external security situation confronting the Government of Pakistan, the threat from terrorist groups, and notes Pakistan's humanitarian efforts to assist over 2 million Afghan refugees now in Pakistan. The Department report also not only describes human rights abuses by the Government of Pakistan but also those which are carried out by the individuals and those which result from long-standing oppressive social and cultural traditions. While there are factual inaccuracies in the AI report, they are less significant than the problems of methodology and analysis just cited.

Question 5. Has the United States Government publicly or privately urged the Government of Pakistan to hold free elections or to respect human rights? If so, could you provide the Committee with any public statements made?

Answer. The United States has let it be known in several public forums that we believe that stability in Pakistan is best preserved through creation of a political system in that country which is representative of the Pakistani people.

Our Ambassador to Pakistan stated as recently as April 20, before the Karachi Institute of Foreign Relations "It is no secret that the United States feels more comfortable and has the greatest political affinity with the democracies. The fact that Pakistan has a Martial Law government has been a source of continuing reservation among important sectors of opinion in the United States. To the extent that ways and means are found to move to a more representative government in Pakistan this potential pitfall in our relationship will be diminished. It is not for Americans to advise Pakistan on its internal political structures, but for many Americans one of the basic human rights is the right to participate in the political process."

In another speech on January 31 before Pakistan's National Defense College, the Ambassador stated "many Americans tend to confuse the issue of human rights and the question of specific political structures. It is no secret that the United States, a nation which is itself still in the process of perfecting its democracy, has its warmest and most intimate relations with other democracies. The fact that Pakistan has a Martial Law government, although one whose human rights record in the judgment of many is as good or better than its predecessor, may well be a source of continuing reservation in the United States. To the extent that ways and means are found to move to a more representative system of government in Pakistan this potential pitfall in our relationship will be diminished."

Question 6. Does the Department agree that the evidence presented by Amnesty International amounts to "a consistent pattern of gross violations of human rights?" If not, what is the basis for the Department's disagreement?

Answer. The Department does not agree with the AI conclusion "that the abuses described in this report amount to a consistent pattern of gross violations of human rights." While AI states that there was a steady worsening trend in Pakistan's human rights conditions in 1981, the Department holds that respect for human rights fluctuated in response to domestic political and security developments. The Department notes that while human rights violations were extensive in the early months of 1981, following the terrorist organization Al-Zulfiqar hijacking of a Pakistan International Airlines aircraft, human rights conditions had improved considerably by the end of 1981.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY
SENATOR CRANSTON

Question 1. In respect to question No. 1, submitted to the record following Secretary Buckley's testimony on November 12, 1981, before the Senate Foreign Relations Committee, the Department stated that it has asked the Government of Pakistan for updated information on prosecution of the individuals responsible for the attack on the U.S. Embassy. What is the status of the prosecution?

Answer. The Pakistan Government informed us in April that some of the attackers and organizers were identified and two cases were registered against them which are still under trial in the court of the Session Judge, Islamabad. The Government also stated "even though it is obvious, we wish to confirm that

none of the attackers/organizers hold any position in the employment of the Government of Pakistan or any agency associated with it."

Question 2. Why is it so hard for the Government of Pakistan to identify the attackers or to find witnesses?

Answer. See the preceding answer.

Question 3. Does the U.S. Government know the identity of the attackers or organizers of the attack?

Answer. No.

Question 4. In response to question No. 7 on payments, the Department noted that "We anticipate an early settlement" of the remaining \$7,244,877 in outstanding claims. Has such a settlement occurred? If not, why not?

Answer. Discussions are continuing. Some delay has been encountered as the Department, in response to a Pakistan Government request, assembled detailed information relating to all of the items for which reimbursement was requested.

Question 5. Will the \$13,940,709 paid by the Government of Pakistan for rebuilding the destroyed U.S. Embassy cover all costs of rebuilding the destroyed Embassy? If not, what is the total cost of rebuilding?

Answer. Yes.

Question 6. Will the \$7,244,877 cover the full cost of replacing all furnishing, vehicles, equipment, personal and other property lost in the attack? If not, what is the full replacement cost for these items?

Answer. The revised claims request for such items is \$5,037,950 and Rs. 16,891,017. This will cover the losses actually incurred. This will permit replacement of those items which were destroyed.

Question 7. Has the U.S. Government made any payments to the families of the Americans who died in the attack? If so, how much?

Answer. There were no extraordinary payments related to the specific incident. However, the families of Corporal Crowley and Warrant Officer Ellis did receive a variety of benefits available to all U.S. military personnel who die while on active duty. These payments included a death gratuity of \$2,000, funeral expenses, Servicemen's Group Life Insurance policy benefit of \$20,000, and in the case of Warrant Officer Ellis, who was married, a Dependency and Indemnity Compensation pension for his widow.

Question 8. Have the families of the deceased made claims against the U.S. Government or the Pakistani Government? If so, please provide the details.

Answer. No.

Question 9. Why is it appropriate for the U.S. Government to make payments to foreign nationals injured in the United States and inappropriate for the United States to request comparable payments from the Pakistani Government?

Answer. It is generally the policy of the U.S. Government to look to the host government for reimbursement whenever there is damage to USG property overseas as a result of mob violence or similar activity. The State Department recognizes the obligation of the host state to accord that level of physical protection for U.S. facilities which allows the Government to carry out its legitimate diplomatic, consular and other official activities. In this regard, the applicable standard is that set forth in the 1961 Vienna Convention on Diplomatic Relations, Article 22(2) of which reads as follows:

"The receiving State is under a special duty to take all appropriate steps to protect the premises of the mission against any intrusion or damage and to prevent any disturbance of the peace of the mission or impairment of its dignity."

The State Department is not of the view, however, that the receiving State is an absolute insurer with regard to the safety of premises occupied by a foreign mission or the safety of members of the mission. The Department does not, for example, honor claims by foreign missions for reimbursement for damage to property resulting from Acts of God or other non-political events. Nor does it regard itself liable for compensation when an individual mission member is the victim of a common street crime. It is only in the case of politically-motivated acts of violence that the Department entertains the idea of making an ex gratia payment to the mission involved for its benefits or that of one of its members.

In addition to determining whether or not the act of violence involved political or non-political activity, the Department also looks to the degree of care exercised by the receiving State under the circumstances. If the receiving State has taken all reasonable steps to avoid the injury in question, it should not be responsible for providing compensation to the Sending State.

These criteria were taken into consideration in connection with the 1979 attack on the U.S. Embassy in Islamabad. A review of the circumstances led to the conclusion that the Government of Pakistan had taken reasonable precautionary measures to avoid the attack and followed through very promptly thereafter to prevent any recurrence. Based upon this finding, the Department decided not to seek reimbursement from the Pakistani Government.

Question 10. In how many cases have foreign governments requested payments for injuries sustained to diplomats or nationals?

Answer. The only case known is the case of Radomir Medic, staff member of the Yugoslavian Mission to the United Nations. This is the case referred to in the body of question 4 above. See section (b) below for details.

Question 11. How many such payments, including ex gratia payments, has the U.S. Government made?

Answer. The only known cases where the U.S. Government has made ex gratia payments to foreign governments are as follows:

(1) *Yugoslavia.*—On June 14, 1977, Radomir Medic, a staff member of the Yugoslavian Mission to the United Nations, was seriously injured in a terrorist attack on the mission. Mr. Medic is permanently disabled as a result of his injuries, and the government of Yugoslavia submitted a claim for the cost of his medical expenses following the attack. The \$81,000 in the fiscal year 1982–83 Authorization Bill pertains to this claim.

(2) *Turkey.*—On October 12, 1980, an explosive device was detonated in a car parked in front of the Turkish Mission to the United Nations. The building sustained extensive damage in the blast. The Turkish Embassy submitted a claim for \$57,000 for repairs necessary to the building. An ex gratia payment of \$57,000 was made to the Embassy of the Turkish Republic in January, 1981.

(3) *Afghanistan.*—On the night of April 27, 1981 (national day of the current Afghan regime), rocks were thrown at the chancery building of the Democratic Republic of Afghanistan by unknown persons. The incident was the subject of several diplomatic notes from the embassy, citing repair costs of \$655 of which \$555 were paid by the embassy's insurance company. The embassy sought the \$100 deductible not paid by the insurance company, which was approved and paid by the Department as an ex gratia payment on March 1, 1982.

DEFENSE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

ISRAEL

Question 1. Mr. West, in testimony on March 23 to the House Foreign Affairs Subcommittee on the Near East, Deputy Assistant Secretary of State Morris Draper said, "a strong Israel has been a good investment as we look to the strategic picture and to potential Soviet and Soviet-supported challenges to our region. We know that we can count on Israel for cooperation and understanding."

Does the Defense Department agree with that statement? Has it done anything in the realm of contingency planning or preparations to make it easier to facilitate cooperation if necessary?

Answer. The Defense Department agrees with the statement. Israel has the strongest military in the area and we share views on many strategic subjects. We know they are strongly anti-Soviet and would probably be willing to act against direct Soviet aggression in cooperation with the United States. Actual planning for Soviet contingencies has not taken place with Israel. The memorandum on Strategic Cooperation with Israel, which has not been implemented, contains some initial framework for cooperation against the Soviet threat.

Question 2. What is the status of the Strategic Memorandum of Understanding signed by Israel and the United States last year?

Answer. With annexation of the Golan Heights by Israel in December of 1981, the Administration decided not to proceed with implementation of the Memorandum of Understanding on Strategic Cooperation with Israel. We did so because Israel's decision did not uphold the spirit of the agreement which obliged each party to take into consideration in its decisions the implications for the broad policy concerns of the other. There has been no change in the status of the MOU.

EGYPTIAN F-16 COSTS

Question 3.—When Minister of Defense Abu Ghazala visited us, he complained of the cost growth in the F-16 aircraft price from Egypt's first buy in 1980 and the proposed new buy this year. How much cost growth has there been in the Egyptian F-16 aircraft price?

Answer. The original Egyptian F-16 aircraft program was accepted in June 1980. The follow-on buy will probably be accepted almost two years from the original sale. Apart from the two years of inflation, the Government of Egypt will be receiving a newer, more capable, F-16 in the follow-on buy. Therefore, a one-for-one comparison is not valid between the earlier F-16 model and what will be produced in 1985 and beyond. The actual quoted Letter of Offer unit fly away costs are as follows: Peace Vector I (1980) F-16A—\$14.5M and F-16B—\$15.0M; Peace Vector II (1982) F-16C—\$17.8M and F-16D—\$17.9M. The one-for-one comparison of the total program price between the first and follow-on F-16 sale is, therefore, not valid. Because of changing Egyptian requirements between the two sales, the quantities of munitions, support equipment and auxiliary equipment have varied. Dividing the program's total cost by the number of aircraft purchased cannot produce a valid pricing comparison without a detailed line-by-line cost growth analysis of the two Letters of Offer.

[Whereupon, at 1:08 p.m., the committee adjourned, to reconvene at 2 p.m. the same day.]

FISCAL YEAR 1983 AID LEVELS TO SOUTHERN EUROPE

THURSDAY, APRIL 15, 1982

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 2:09 p.m., in room 4221, Dirksen Senate Office Building, Hon. Richard Lugar presiding.

Present: Senators Lugar and Sarbanes.

Senator LUGAR. This hearing of the Committee on Foreign Relations is called to order.

This afternoon, we will be discussing the 1983 fiscal year aid levels to southern Europe.

The Chair would simply observe, and I am certain that each of the witnesses and other Senators will point out, that substantial increases have been requested for Europe in general and for the countries that we are to examine specifically this afternoon.

Clearly, we will want to offer rationales as to why this ought to be. The budget constraints that are everywhere certainly abound in this area, as our testimony on the general situation of foreign aid revealed yesterday.

The Chair welcomes his colleague, Senator Paul Sarbanes, of Maryland.

Paul, do you have an opening statement before we get underway?

Senator SARBANES. No, thank you.

Senator LUGAR. We will hear from three witnesses of the administration; the Honorable H. Allen Holmes, Acting Assistant Secretary of State for European Affairs, who is accompanied by Mr. Edward C. Dillery, Director of the Office of Southern European Affairs of the State Department. We will hear next from the Honorable Richard N. Perle, Assistant Secretary of Defense for International Security Policy.

Our final administration witness is Mr. Bradshaw Langmaid, Jr., Acting Assistant Administrator of the Bureau for Near East, Agency for International Development.

It is good to have you all here today.

Gentlemen, will you please proceed in the order I announced. We then will have questions from the Senators who are here.

Mr. Holmes.

**STATEMENT OF H. ALLEN HOLMES, ACTING ASSISTANT SECRETARY
FOR EUROPEAN AFFAIRS, DEPARTMENT OF STATE, ACCOMPANIED
BY EDWARD C. DILLERY, DIRECTOR, OFFICE OF SOUTHERN
EUROPEAN AFFAIRS, DEPARTMENT OF STATE**

Mr. HOLMES. Thank you, Mr. Chairman.

I have sent up my statement to the committee, and I assume that it will be entered into the record.

Senator LUGAR. It will be entered at the appropriate point.

Mr. HOLMES. If you would like, I can make a brief summary of it.

Senator LUGAR. That would be very helpful. If you wish to proceed with summaries, we could expedite our hearing and our questioning.

Mr. HOLMES. Our fiscal year 1983 assistance program for Europe focuses on four countries: Portugal, Greece, and Turkey and support of their NATO roles, and, in the case of Spain, its future NATO role.

The requested amounts for foreign military sales credits are, for Spain, \$400 million; for Portugal, \$90 million; for Greece, \$280 million; and for Turkey, \$465 million.

We have asked for economic support fund assistance to three countries: Spain, \$12 million; Portugal, \$20 million; and Turkey, \$350 million.

We also have IMET programs for these four countries, plus some small amounts for three others.

I would like to recall, as Secretary Haig emphasized in testimony in support of the administration's security assistance program for fiscal year 1983 that today's foreign assistance programs have been redirected to specific and vitally important strategic concerns, including the military threats from the Soviet Union.

The Secretary stressed the importance of negotiations with Spain, Portugal, and Greece on base access, and the obligation to maintain stable development and pro-Western policies through the vital alliance with Turkey.

Thank you, Mr. Chairman.

[Mr. Holmes' prepared statement follows:]

PREPARED STATEMENT OF H. ALLEN HOLMES

I appreciate this opportunity to appear before the committee in support of the European portions of the administration's proposals for security assistance in fiscal year 1983.

As Secretary Haig emphasized in testimony in support of the Administration's Security Assistance Program for fiscal year 1983, today's foreign assistance programs have been redirected to specific and vitally important strategic concerns, including the military threat from the U.S.S.R. The Secretary stressed the importance of negotiations with Spain, Portugal, and Greece on base access, and the obligation to maintain stable development and pro-Western policies through the vital alliance with Turkey.

SPAIN

The return of Spain to the Western community of democratic nations was crowned during the past year by the decision of the Government of Prime Minister Calvo Sotelo to seek entry into NATO. Spain's people, its young and healthy democratic institutions, and its strategic location will add important strength to NATO capabilities and contribute to the security of the West. We are pleased that Spain has taken this step.

Under the terms of the 1976 Treaty of Friendship and Cooperation we enjoy access to several important military bases in Spain. We are currently negotiating a successor to that treaty. As always the process is complex and progress is slower

than we would like, but we hope to reach agreement before summer. Although our fiscal year 1983 assistance proposal is not tied to the agreement, it reflects our expectation that our security cooperation with Spain will continue to be of major importance.

Our proposed assistance program for Spain of \$400 million in FMS credits will help Spain undertake major modernization projects for its armed forces, including acquisition of an air defense missile system and advanced fighter aircraft. \$3 million in IMET will help Spain to develop the expertise and systems necessary for effective management of its defense establishment, while \$12 million in ESF will support an affective program of education, cultural, and scientific exchanges.

The proposed program carries with it a wide range of strategic and political benefits. It will assist Spain in its impressive effort to upgrade Spanish defenses to levels more nearly compatible with other NATO forces. It will lend visible support to a young democracy opting to resume its Western vocation. Finally it will strengthen the important bilateral ties between us and Spain.

PORTUGAL

Portugal has come a long way in establishing a working democracy since the 1974 coup, it has successfully made the difficult and delicate transition from an authoritarian state to one in which fundamental political liberties are respected. Prime Minister Pinto Balsemao leads the ruling coalition government with a substantial parliamentary majority.

Portugal is an important NATO ally. It shares our commitment to strengthening Western security, particularly through NATO, and has made available the strategically located airfield at Lajes in the Azores for this purpose. Both the governing coalition and the socialist-led democratic opposition agree that Portugal should participate as much as possible in NATO activities. However, Portuguese economic resources are inadequate to support the modernization necessary to render such participation meaningful.

Portugal therefore looks to the United States and other NATO allies for security assistance. Providing such aid facilitates cooperation with a valued and reliable ally and reassures the Government of Portugal of our commitment to a substantial role for Portugal in NATO.

For fiscal year 1983, we are proposing \$20 million in grant economic support funds; the Government of Portugal will use these funds to support development programs in the Azores, a relatively underdeveloped region. We are also proposing \$90 million in foreign military sales credits and \$2.6 million in IMET, which will enable the Portuguese to continue a modest but very important modernization program.

We are formally opening negotiations this week with Portugal on continued bilateral security cooperation. Although the current program request is not directly related to those negotiations, it allows us to maintain a vital role in assisting Portugal to meet its reasonable needs for NATO-related military modernization.

CYPRUS

Concentrating on discussion of the November 1981 United Nations' "evaluation" of the Cyprus intercommunal negotiations the two Cypriot communities are continuing their negotiating efforts. Along with defining "points of coincidence" and "points of equidistance" between the positions of the communities, the "evaluation" offers ideas and concepts for bridging some of the major differences. The U.N. SYG has recently met with the leaders of both communities to review developments and give the negotiations renewed impetus. Although there are many outstanding questions, we believe the U.N. "evaluation" within the context of the intercommunal talks offers an historic opportunity for progress.

As a reflection of the previous U.S. economic assistance, as well as the entrepreneurial efforts and economic energy of the Cypriot people, the island has made very significant economic strides. Recognizing this economic health, and current U.S. budget stringencies, we are not recommending economic assistance for fiscal year 1983. Fifteen million dollars is programmed for fiscal year 1982, and an already funded scholarship program will continue to bring Cypriot students to the United States for several years.

The United States strongly supports the U.N. effort to secure a just, fair and lasting settlement of the Cyprus problem. We have remained in close communica-

tion with all parties, urging flexible, vigorous negotiation of differences. We have repeatedly reemphasized our strong commitment to assist in promoting a mutually acceptable solution.

GREECE

Our proposed program—an integral part of U.S. policy toward Greece—provides a continuing demonstration of American support for a democratic Greece and is designed to enable Greece to supplement inadequate economic resources for the modernization of Greek armed forces and the fulfillment of NATO responsibilities. Greece has been an active member of the Alliance, fully participating in NATO activities since its relinking to the military structure in October 1980.

The program for Greece in fiscal year 1983 reflects an appreciation of the continued closeness of our relations and the important contribution Greece makes in the Alliance to defend the crucial southern region, especially at a time of critical situations in Europe and the Middle East. Furnishing security assistance to Greece is consistent with U.S. policy to encourage the peaceful resolution of its differences with Turkey and to support the search for a solution to the Cyprus problem.

The Administration has therefore requested \$280 million in FMS credits to assist Greece in purchasing weapons systems and spare parts and upgrading its defense capabilities, and \$1.7 million in IMET grants to improve professional and technical expertise.

TURKEY

On September 12, 1980, spiraling terrorism and paralysis of civilian authority led Turkey's military leaders to take over the government. In the ensuing 18 months, the generals have restored law and order, curbed political violence, bolstered public confidence, strengthened the economic recovery program, and begun a process for return to stable democratic government. The Administration retains the overwhelming support of the Turkish people. A Consultative Assembly was convened last October to draft a new constitution and also serves as a de facto parliament. The Head of State, General Evren has announced a timetable for return to full democracy: it involves completion of the constitution in the summer of 1982, a referendum on that constitution in November, and general elections in the fall of 1983 (alternatively, in the spring of 1984). We are confident that the Turkish Government will meet that timetable.

Turkey is a staunch ally of the United States, strongly committed to NATO and to Western values. The 1980 Defense and Economic Cooperation Agreement is functioning smoothly. In it, the United States pledged "best efforts" to help Turkey with security and economic resources. All allies share our desire to help Turkey upgrade its armed forces to carry out essential NATO tasks more effectively. Turkey has made great progress under the economic reform program adopted in January 1980. For the past three years, the United States has worked with other OECD nations and international financial institutions to support that program. We believe that Turkey continues to need fast-disbursing, concessional assistance to achieve self-sustaining economic growth.

Our security assistance proposals for fiscal year 1983 address these requirements. They also support the U.S. policy of encouraging the peaceful resolution of Turkey's differences with Greece and promote a settlement on Cyprus. To make Turkey a more effective member of the vital southern flank of NATO, we propose a total military assistance program of \$168.5 million: \$465 million in foreign military sales (FMS) and \$3.5 million in international military education and training (IMET). Of the \$465 million FMS, \$300 million would be direct credit, reflecting Turkey's still-severe economic constraints and debt burden. These FMS funds will enable Turkey to begin to modernize some of its weapons systems, and to acquire spares and support equipment for systems already in its inventory. Our request is modest when compared to Turkey's overall needs for military support. We also propose \$350 million in Economic Support Fund (ESF) assistance, to help Turkey consolidate the momentum toward economic recovery. Of the total ESF, \$250 million would be grant and \$100 million soft-term loans.

In formulating our security assistance proposals for Greece and Turkey, we have been guided by the "Statement of Principles" contained in Section 620C(b) of the Foreign Assistance Act of 1961, as amended. The formal certification to this effect, required by Section 620C(d) of that Act, will be contained in the formal letter transmitting the Administration's foreign assistance legislative proposals for fiscal year 1983.

Senator LUGAR. Thank you, Mr. Holmes.

Mr. Perle, would you offer a summary of your testimony, please.

Mr. PERLE. I would be pleased to, Mr. Chairman. If it is all right with the committee, I will read some of my statement, though not all of it, since it was only received here a few minutes ago, and I apologize for that.

Senator LUGAR. Very well.

**STATEMENT OF HON. RICHARD N. PERLE, ASSISTANT SECRETARY
FOR INTERNATIONAL SECURITY POLICY, DEPARTMENT OF DE-
FENSE**

Mr. PERLE. I know that before this committee, it is hardly necessary to dwell at length, and I will not, on the importance of NATO's southern flank.

In the context of strengthening the southern flank, these four closely allied countries, all of which are engaged in the process of modernizing their armed forces, require security assistance from the United States.

The levels of security assistance that we are able to propose for Greece, Turkey, Spain, and Portugal are far below their requirements. We wish that the available resources were more abundant, for the need is great.

What we are proposing is minimal, and in light of the deficiency of resources with which we are forced to content ourselves, our proposal is an essential minimum.

Among the staunchest of our allies, Turkey, critically situated on NATO's southern flank, is clearly in greatest need of our help. Turkey has been making significant progress in recovering from serious economic problems and in coping with domestic terrorism that, in recent years, bordered on anarchy. The restoration of internal stability in Turkey and the rehabilitation of the Turkish economy have necessarily been the preoccupation of the Turkish Government. Turkey is now engaged in the process of reestablishing a democratic political order that will reflect the traditional Turkish adherence, enshrined in the teachings of Ataturk, to the principles of democracy and national independence. The Turks deserve our understanding and our support as they work to compose a political order appropriate for Turkish history and tradition and political culture.

An important element in rebuilding the Turkish democracy is the modernization of the Turkish Armed Forces. This would be the case even if there were not a significant threat to Turkey from her Soviet neighbor. But, of course, there is.

The Soviet threat to Turkey, and to NATO's southern flank generally, makes the modernization of the Turkish Armed Forces even more vital to the defense of the western alliance. The Turkish Army, the second largest in NATO, is desperately ill equipped. Without substantial assistance, Turkey will be unable to meet even its most basic NATO requirement: The protection of Turkish territorial integrity and the defense of the Turkish straits.

The Turkish Air Force is urgently in need of modernization. Turkey is presently compelled to operate an air force that includes F-100 fighter aircraft, Mr. Chairman, many of which entered service in 1958,

and whose useful service life long since has expired. F-104's that are nearly 20 years old are in the inventory and are becoming unserviceable. C-47 transports of pre-World War II vintage are still in use in the Turkish Air Force, not because they are adequate, but because they are all that is available.

The Turkish Army operates some M-47 tanks dating back to the early 1950's and radio communications systems that are even older. The point is rapidly being reached at which it is physically impossible to maintain this obsolete equipment. In many cases, spare parts no longer are available, and even minimal operations require the cannibalization of a dwindling stockpile, which is wholly inadequate.

The \$465 million in foreign military sales credits that we have requested for fiscal year 1983 falls far short of urgent Turkish needs. But it is an essential beginning.

Even in its parlous present condition, the Turkish Armed Forces tie down numerous Soviet divisions in the Transcaucasus and Warsaw Pact forces opposing Turkish Thrace. With a program of modernization of the Turkish Armed Forces, the Soviets would be significantly inhibited in executing plans that call for the diversion of Soviet Transcaucasus divisions into Iran and the Gulf. Thus, we would expect an enhancement of Turkish capabilities to strengthen the security of Southwest Asia, an area of vital concern to the NATO alliance.

I think it is not fully appreciated, the extent to which a reasonably strong and competent Turkish defense capability is fundamental to trying to prevent the vacuum that presently exists in Southwest Asia from getting to the point where it tempts the Soviets to move in.

We are working with the Turks to develop a long-term plan for the modernization of the Turkish Armed Forces built on a common appreciation of the Soviet threat to NATO's southeastern flank and the role of a strengthened Turkey in deterring the Soviets from the redevelopment of their Transcaucasus forces into Southwest Asia. Later this month, a United States-Turkish high-level group will meet in Ankara to discuss these matters. I look forward to a fruitful collaboration with the Turks and to a process of consultation with the Congress as this work proceeds.

Turning westward, toward Greece, with its tradition of democratic institutions, Greece has been a determined ally and a good friend. Our close association with Greece reflects a recognition of shared values. Though withdrawn from the military arm of NATO for some years, Greece has retained its close ties with the United States; and we and our allies have fully welcomed the return of Greece into the integrated command structure.

Greece is an important ally in the defense of the southern flank and in the control of Soviet access to the Mediterranean. Our fiscal year 1983 proposal is designed to assist Greece to modernize its armed forces. The Greek economy is relatively strong when compared to other nations in the area. But it is not capable of maintaining its aging equipment in a reasonable state of readiness while also modernizing its forces. There is a pressing need to assist Greece; and we therefore propose \$280 million in foreign military sales credits which will supplement Greece's own substantially increased effort to improve its military capabilities.

Turning briefly to Spain, which, as you know, Mr. Chairman, we hope to welcome soon into the NATO alliance, we are presently negotiating a follow-on agreement to the 1976 Treaty of Friendship and Cooperation. This agreement will permit continued use of U.S. facilities in Spain. It has been negotiated in a somewhat different fashion than the 1976 agreement. In that agreement, specific levels of security assistance were included. By contrast, our joint effort in this negotiation has been to negotiate this agreement to provide not for a specific level of security assistance, but to provide for our best efforts to assist in the strengthening of Spanish defenses.

We believe that our program of \$415 million is a minimal level of assistance needed to assure adequate modernization of the Spanish Armed Forces, which, in turn, will enable full Spanish participation in NATO.

Finally, let me say a word about Portugal.

Portugal occupies a vital strategic position at the western approaches to the Mediterranean and the eastern boundary of a critical supply route between Europe and the United States. Our continued use of the facilities in the Azores is important to our ability to meet our NATO obligations and to support adequate mobility for our forces generally.

Just this week, we have begun negotiations to renew the defense agreement providing for U.S. use of the Azores facilities. Our readiness to provide security assistance to our Portuguese NATO ally obviously bears on these discussions.

Portugal has the will to make an effective contribution to the NATO defense effort. Our program will assist the Portuguese to do so.

Mr. Chairman, we realize that we are asking for resources for this program at a time when resources are in short supply. I particularly wanted to come here today with what I gather is something of a departure from previous presentations to underline the importance that the Department of Defense attaches to this program because it is fundamental to the effective operation of the NATO Alliance. A dollar spent on security assistance, in my judgment, has a higher marginal rate of return than any program I can think of, including programs that are in our own defense budget.

We wish we could have proposed more. As we looked at the needs of the countries involved, they clearly exceeded our ability to provide recommendations to the Congress.

We hope that you will support this rock-bottom request.

Thank you, Mr. Chairman.

[Mr. Perle's prepared statement follows:]

PREPARED STATEMENT OF HON. RICHARD N. PERLE

Mr. Chairman: I am pleased to have this opportunity to come before the Subcommittee to discuss the Administration's request for security assistance for four countries with which the United States enjoys a close and important defense relationship. Of the four, three—Greece, Turkey and Portugal—are NATO allies. The fourth—Spain—will soon join the Alliance, an event to which we look forward as an indication that the NATO Alliance is a vital and growing association of Sovereign states dedicated to the collective defense of the democratic west.

I know that before this committee it is hardly necessary to dwell at length on the importance of NATO's Southern flank. And in the context of strengthening the Southern flank, these four closely allied countries, all of which are engaged

in the process of modernizing their armed forces, require security assistance from the United States.

The levels of security assistance that we are able to propose for Greece, Turkey, Spain and Portugal are far below their requirements. We wish that the available resources were more abundant, for the need is great. What we are proposing is minimal; and in light of the deficiency of resources with which we are forced to content ourselves, our proposal is essential.

Let me say a word about each country for which we are requesting security assistance.

Among the staunchest of our allies, Turkey, critically situated on NATO's Southern flank, is clearly in greatest need of our help. Turkey has been making significant progress in recovering from serious economic problems and in coping with domestic terrorism that, in recent years, bordered on anarchy. The restoration of internal stability in Turkey and the rehabilitation of the Turkish economy have necessarily been the preoccupation of the Turkish Government. Turkey is now engaged in the process of reestablishing a democratic political order that will reflect the traditional Turkish adherence, enshrined to the teaching of Ataturk, to the principles of democracy and national independence. The Turks deserve our understanding and our support as they work to compose a political order appropriate for Turkish history and tradition and political culture.

An important element in the rebuilding of Turkish democracy is the modernization of the Turkish armed forces. This would be the case even if there were not a significant threat to Turkey from her Soviet neighbor. The Soviet threat to Turkey, and to NATO's Southern flank generally, makes the modernization of the Turkish armed forces even more vital to the defense of the Western Alliance. The Turkish army, the second largest in NATO, is desperately ill-equipped. Without substantial assistance Turkey will be unable to meet even its most basic NATO requirement: The protection of Turkish territorial integrity and the defence of the Turkish straits.

The Turkish Air Force is urgently in need of modernization. Turkey presently is compelled to operate an air force that includes F-100 fighter aircraft, many of which entered service in 1958 and whose useful service life has long since expired. F-104s that are nearly 20 years old are becoming unserviceable. C-47 transports of pre-World War II vintage are still in use—not because they are adequate, but because they are all that is available.

The Turkish army operates some M-47 tanks dating back to the early 1950's and radio communications systems that are even older. The point is rapidly being reached at which it is physically impossible to maintain this obsolete equipment. In many cases spare parts are no longer available and even minimal operations require the cannibalization of a dwindling stockpile of weapons that are wholly inadequate.

The \$465 million in foreign military sales credits that we have requested for fiscal year 1983 falls far short of urgent Turkish needs. But it is an essential beginning.

Even in its parlous present condition, the Turkish armed forces tie down numerous Soviet divisions in the Transcaucasus and Warsaw Pact forces opposing Turkish Thrace. With a program of modernization of the Turkish armed forces the Soviets would be significantly inhibited in executing plans that call for the diversion of Soviet Transcaucasus divisions into Iran and the Gulf. Thus we would expect an enhancement of Turkish capabilities to strengthen the security of Southwest Asia, an area of vital concern to the NATO Alliance.

We are working with the Turks to develop a long-term plan for the modernization of the Turkish armed forces built on a common appreciation of the Soviet threat to NATO's Southeastern flank and the role of a strengthened Turkey in deterring the Soviets from the redeployment of their Transcaucasus forces into Southwest Asia. Later this month a United States-Turkish High Level Group will meet in Ankara to discuss these matters. I look forward to a fruitful collaboration with the Turks and to a process of consultation with the Congress as this work proceeds.

Turning westward, *Greece*, with its tradition of democratic institutions, has been a determined ally and good friend. Our close association with Greece reflects a recognition of shared values. Though withdrawn from the military arm of NATO for some years, it retained its close ties with the United States; and we and our allies have fully welcomed the return of Greece to the integrated command structure.

Greece is an important ally in the defense of the Southern flank and in the control of Soviet access to the Mediterranean. Our fiscal year 1983 proposal is designed to assist Greece to modernize its armed forces. The Greek economy is relatively strong when compared to other nations in the area. But it is not capable of maintaining its aging equipment in a reasonable state of readiness while also modernizing its forces. There is a pressing need to assist Greece; and we therefore propose \$280 million in Foreign Military Sales credits which will supplement Greece's own substantially increased effort to improve its military capabilities.

I turn now to *Spain* which, as you know Mr. Chairman, we and our NATO allies hope to welcome as the newest member of NATO in the near future. We are presently negotiating a follow-on agreement to the 1976 Treaty of Friendship and Cooperation. This agreement, which will permit continued United States use of facilities in Spain, has been negotiated in a somewhat different fashion than the 1976 agreement. In that agreement specific levels of security assistance were included. By contrast our joint effort has been to negotiate this agreement to provide, not for a specific level of security assistance, but for our best efforts to assist in the strengthening of Spanish defense. We believe that our program of \$415 million is a minimal level of assistance needed to assure adequate modernization of the Spanish armed forces, which in turn will enable full Spanish participation in NATO.

Finally, let me say a word about *Portugal*. Portugal occupies a vital strategic position at the western approaches to the Mediterranean and the eastern boundary of a critical supply route between Europe and the United States. Our continued use of the facilities in the Azores is important to our ability to meet our NATO obligations and to support adequate mobility for our forces generally.

Just this week we have begun negotiations to renew the defense agreement providing for United States use of the Azores facilities. Our readiness to provide security assistance to our Portuguese NATO ally obviously bears on these discussions.

Portugal has the will to make an effective contribution to the NATO defense effort. Our program will assist the Portuguese to do so.

Mr. Chairman, we recognize that we are requesting substantial funds to support these key nations along the Southern flank of NATO, and we further recognize that our requests come at a critical time when there is intense competition for resources. However, it is equally important for us to realize that we have a long history of close defense relationships with each of these nations. We are trying to carry on, on a modest scale, important programs that are closely intertwined and related to a growing NATO program to provide security assistance to three of these nations—Turkey, Greece and Portugal—in order that these members of the Alliance are able to carry out vital NATO responsibilities in the Key Southern Region.

Senator LUGAR. Thank you very much, Mr. Perle.

Mr. Langmaid, would you testify next.

STATEMENT OF BRADSHAW LANGMAID, JR., ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST, AGENCY FOR INTERNATIONAL DEVELOPMENT, ACCOMPANIED BY CHARLES JOHNSON, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, NEAR EAST BUREAU, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. LANGMAID. Thank you, Mr. Chairman.

I am pleased to be here today to support the President's request for economic support funds for fiscal year 1983 for Turkey and Portugal. The request for these countries totals \$370 million.

For Turkey, we plan to provide \$350 million for balance-of-payments assistance to continue support of Turkey's economic stabilization program which was developed with the help of the IMF [International Monetary Fund], which continues to monitor performance under that program.

We plan to provide the assistance in the form of a \$250 million grant and a \$100 million loan, repayable in 20 years, with a 5-year grace period, and 5 percent interest. The Turkish Government has shown great political courage in undertaking this economic reform program and great effectiveness in carrying it out. It needs and deserves the continued support of its allies and its friends.

I might also mention, given the interest of this committee, that this request is approximately \$50 million larger than the amount shown in the authorization bill.

For Portugal, \$20 million is requested in grant funds in accordance with the exchange of diplomatic notes dated June 18, 1979, between the United States and Portugal regarding the Lajes Airbase in the Azores. In addition to military assistance, the United States also agreed to provide \$80 million in economic assistance, subject to congressional authorization and appropriation. The fiscal year 1983 funds will be in the form of a cash transfer for the fourth and final tranche which the Government of Portugal plans to use for the economic and social development of the Azores, one of the least developed regions of Portugal, where the per capita income of only \$700 is approximately one-third that of mainland Portugal.

Thank you, Mr. Chairman.

[Mr. Langmaid's prepared statement follows:]

PREPARED STATEMENT OF BRADSHAW LANGMAID, JR.

Mr. Chairman and members of the Committee, I am pleased to be here today to support the President's request for Economic Support Funds in fiscal year 1983 for Turkey and Portugal. The request for these two countries totals \$370 million.

TURKEY

We plan to provide \$350 million for balance of payments assistance to continue support of Turkey's economic stabilization program developed with the help of the IMF, which continues to monitor performance. We plan to provide the assistance in the form of a \$250 million grant and \$100 million loan, repayable in 20 years with a 5-year grace period and 5-percent interest throughout. The Turkish government has shown great political courage in implementing its economic reform program. It needs and deserves the continued support of its allies and friends. We will do what we can to encourage this support.

The Turkish economic stabilization program was adopted in January 1980. Its major features are the maintenance of a realistic foreign exchange rate, elimination of government subsidies to cover operating losses of most State Economic Enterprises (SEEs), fiscal and monetary austerity, elimination of most price and interest rate controls, and liberalization of the foreign investment regime.

Turkey's performance in 1980 and 1981 provides strong evidence that the new policies have taken hold. Wholesale prices, which doubled in 1980, increased by only 25 percent in 1981. GNP grew about 4.5 percent in 1981 compared to absolute declines in 1979 and 1980. Exports surged in 1981. This coupled with strong growth in remittances from Turkish workers abroad and modest import growth, led to an improved balance of payments outcome. The current account deficit declined from about \$3 billion in 1980 to \$2.1 billion in 1981. Continuing assistance is needed to maintain the momentum of this stabilization program.

PORTUGAL

The \$20 million request in grant funds for Portugal is in accordance with the exchange of diplomatic notes dated June 18, 1979 between the United States and Portugal regarding Lajes Air Base in the Azores. In addition to military assistance, the United States also agreed to provide \$80 million in economic assistance, subject to Congressional authorization and appropriation. The fiscal year 1983 funds will be in the form of a cash transfer for the fourth and final tranche which

the Government of Portugal plans to use for the economic and social development of the Azores, one of the least developed regions of Portugal where the per capita income of \$700 is only one-third the national average.

Overall, Portugal's economic situation has improved markedly due to a conscientious application of an IMF stabilization program begun in early 1978 and with balance of payments assistance from fourteen countries, including the United States. In 1980 GDP grew by 5.7 percent, inflation declined sharply, and real wages increased for the first time since 1976. However, the balance of payments has deteriorated as the result of drought, slowing export growth and the oil import bill, and probably exceeded \$2 billion in 1981. Financing the deficit should not pose an immediate problem given Portugal's credit standing, substantial gold reserves and access to IMF resources. The Portuguese Government is concerned, however over Portuguese ability to continue to finance such large unbalances and has instituted a tough austerity program to reduce deficits and get the economy under control.

Mr. Chairman, I would be pleased to answer any questions you may have.

Senator LUGAR. Thank you very much, Mr. Langmaid.

Senator Sarbanes, do you have questions of the witnesses?

Senator SARBANES. Yes, Mr. Chairman, thank you.

Gentlemen, I would like to address the question stemming from the fact that you have a 1983 authorization already in law, is that correct?

Mr. HOLMES. Yes.

Senator SARBANES. What I do not follow from this submission is this. Are you approaching the committee as though that did not exist and we are, in effect, considering a new authorization bill?

Mr. HOLMES. Would you like me to answer that?

Senator SARBANES. Whoever wishes to address it. You can arm wrestle amongst yourselves for the privilege of answering.

Mr. HOLMES. We are well aware of the fact that the authorization bill covered both fiscal year 1982 and 1983. When we analyzed the needs of the countries concerned for fiscal year 1983, we made the adjustments in our request that we thought were necessary.

Senator SARBANES. Where are those adjustments set out? Where can we find the differences which the administration is seeking in this particular area of the world, compared with what has been authorized by the Congress?

Mr. LANGMAID. In the case of the ESF fund, Senator, as I mentioned, Turkey is \$50 million higher than the amount authorized.

Senator SARBANES. How much?

Mr. LANGMAID. It is \$50 million higher.

The authorized amount for fiscal year 1983 was \$300 million, a one-third/two-thirds split. We are proposing \$350 million, a \$50 million increase.

The amount for Portugal—

Senator SARBANES. On what terms?

Mr. LANGMAID [continuing]. The same terms. It is the same split, the same terms—roughly.

The amount for Portugal is the same as shown in the 1983 authorization.

The amount for Cyprus was shown as \$15 million in the fiscal year 1982 authorization. No request is being made for Cyprus in fiscal year 1983. That is just the ESF part of the budget request.

Senator SARBANES. What is the figure for Portugal?

Mr. LANGMAID. It is \$20 million.

Senator SARBANES. So you differ from the authorization which you already have and, therefore, I take it are prompted to appear before

us. Otherwise, you would be authorized to do what you seek to do by seeking a further \$50 million in ESF for Turkey and in dropping \$15 million in ESF for Cyprus.

Mr. LANGMAID. That's correct, Senator.

Senator SARBANES. The Portugal figure stays the same.

All right. What about in the other areas?

Mr. HOLMES. As far as the foreign military sales are concerned, I do not have that breakdown at my fingertips, Senator. But I would be very happy to supply it for the record.

[The information referred to follows:]

SECURITY ASSISTANCE TO EUROPEAN COUNTRIES

[SUBMITTED BY THE DEPARTMENT OF STATE]

This is essentially a global question. Very few of the individual line items for security assistance for European countries are earmarked in the current authorization bill. The Administration recognizes that there is a current foreign assistance authorization for fiscal year 1983 but also notes that this legislation was passed without consultation with the Administration, and calls attention to the fact that the situation in many of the countries has changed. In global terms, the President's proposal for Foreign Military Sales credits for fiscal year 1983 is for a total program of \$5667.8 million, an increase of \$1598.3 million over the \$4069.5 million level already authorized. For the Economic Support Fund program we are requesting \$2886.0 million, an increase of \$162.5 million over the \$2723.5 million Congress authorized. The Congress authorized \$238.5 million for a fiscal year 1983 military assistance program. The Administration continues to believe that concessional assistance is better provided by means of direct Foreign Military Sales credits that are either forgiven or offered on concessional terms. Within that context, the following programs demonstrate relationship in each of the major European recipient countries between the fiscal year 1983 authorization, the fiscal year 1983 Administration request, and the original fiscal year 1982 Administration request:

	Cyprus		
	FMS	ESF	IMET
Fiscal year 1982 CPD proposal.....		7.5	
Fiscal year 1982 allocation.....		15.0	
Fiscal year 1983 authorization.....		15.0	
Fiscal year 1983 CPD proposal.....			

The fiscal year 1982-83 foreign assistance authorization bill specified \$15 million each year for Cyprus. The administration recognizes that \$15 million is authorized for fiscal year 1983 but recommends that no moneys be appropriated for such assistance for fiscal year 1983. Recognizing that the \$146 million in assistance provided to Cyprus for displaced persons since 1974 has been well-used and managed, the administration believes that within overall priorities it cannot recommend continuation of this assistance for fiscal year 1983. This in no way indicates any lessening of our interest in promoting the earliest possible solution to the Cyprus problem. The fiscal year 1982 CPD request was for \$7,500,000.

	Greece		
	FMS	ESF	IMET
Fiscal year 1982 CPD proposal.....	260		1.9
Fiscal year 1982 allocation.....	280		1.2
Fiscal year 1983 authorization.....	280		
Fiscal year 1983 CPD proposal.....	280		1.7

The fiscal year 1982-83 Assistance Act specifically provides for \$280 million for Greece. The administration request for fiscal year 1983 is \$280 million. The original Congressional Program Document for Greece for fiscal year 1982 requested \$260 million. This was increased to \$280 million by a decision of the Congress. The administration did not object to that increase and supports a continuation at the same level.

	Portugal		
	FMS	ESF	IMET
Fiscal year 1982 CPD proposal.....	¹ 60	20	2.2
Fiscal year 1982 allocation.....	² 55	20	1.8
Fiscal year 1983 authorization ³			
Fiscal year 1983 CPD proposal.....	⁴ 90	20	2.6

¹ 50 concessional.

² 10 grant.

³ No funds earmarked for Portugal.

⁴ 75 concessional.

The increase in the fiscal year 1983 proposal reflects the increasingly close and cooperative security relationship we have with Portugal. It also reflects the fact that the fiscal year 1982 allocation fell well below the fiscal year 1982 proposal and was inadequate to support our interests in Portugal.

	Spain		
	FMS	ESF	IMET
Fiscal year 1982 CPD proposal.....	150	7	2.2
Fiscal year 1982 allocation.....	125	17	2.0
Fiscal year 1983 authorization ¹			
Fiscal year 1983 CPD proposal.....	400	12	3.0

¹ No funds earmarked for Spain.

The increases in the fiscal year 1983 proposal reflect our commitment to assist Spain in the major military modernization effort it has undertaken as it prepares to enter NATO. They also reflect the negotiation of a successor agreement to the 1976 Treaty of Friendship and Cooperation under which assistance levels remained virtually constant for 6 years, during which inflation greatly eroded the value of our assistance. Finally, these increases are designed to reflect our support for Spain's transition to democracy which has occurred since the negotiation of the 1976 treaty. The additional \$10 million ESF allocated in fiscal year 1982 was provided in lieu of grant MAP during the 8 months extension of the 1976 treaty.

	Turkey			
	FMS	ESF	IMET	MAP
Fiscal year 1982 CPD proposal.....	¹ (250) 400	300	3.5	
Fiscal year 1982 allocation.....	343	² (200) 300	2.5	57.7
Fiscal year 1983 authorization.....				62.5
Fiscal year 1983 CPD proposal.....	¹ (300) 465	² (250) 350	3.5	

¹ Direct credit FMS.

² Grant.

The authorization bill earmarks only \$62.5 million in MAP for Turkey. The administration is not requesting MAP for fiscal year 1983. The MAP question arose because the administration requested direct credits for fiscal year 1982 as it is for fiscal year 1983, but the Congress declined to provide such credits. Regular FMS guaranteed credits are not specified in the authorization bill. There is, therefore, no means of comparison against that bill. The administration's fiscal year 1982 CPD request was for \$250 million in direct credits FMS and \$150 million in guaranteed loans, a total of \$400 million. The request for

fiscal year 1983 is for \$300 million in direct credits and \$165 million in guaranteed loans, a total of \$465 million. The \$65 million increase is required to provide enough funds to begin a process of modernization of important elements of the Turkish armed forces, which are now approaching block obsolescence. The authorization bill has no earmark for ESF. The administration's fiscal year 1982 CPD was for \$300 million. The current request is for \$350 million for fiscal year 1983. The increase is required to contribute an adequate amount of support to the highly effective economic stabilization program which Turkey continues to follow, in accordance with its agreement with the International Monetary Fund and the assistance of a consortium of OECD countries.

Senator SARBANES. How much are you providing in FMS sales to each of these countries under your proposal?

Mr. HOLMES. Under our proposal, we are requesting foreign military sales credits in the following amounts: \$400 million for Spain; \$90 million for Portugal; \$280 million for Greece; and \$465 million for Turkey.

Senator SARBANES. That is for fiscal year 1983. How does that differ from what has been authorized for fiscal year 1983?

Mr. HOLMES. I do have that breakdown, and I will be happy to supply that for the record. Maybe we can even dig that out here.

Senator SARBANES. How does that differ from what is provided in fiscal year 1982?

Mr. HOLMES. In fiscal year 1982, beginning with Spain, it was \$125 million FMS, and then \$400 million for fiscal year 1983.

Senator SARBANES. The second figure that you are giving me now, is that what was authorized or what you are requesting?

Mr. HOLMES. That is what we are requesting for fiscal year 1983. It is from \$125 million to \$400 million for Spain.

For Portugal, for fiscal year 1982, it is \$55 million; for 1983 it is \$90 million.

For Greece, it is \$280 million for both years.

For Turkey, it is \$343 million FMS in 1982 and \$57.7 million in MAP for 1982; and then, in 1983, it is \$465 million FMS with no request for MAP.

Senator SARBANES. On what terms is this FMS being provided?

Mr. HOLMES. Well, for Turkey, for example, fiscal year 1983—

Senator SARBANES. This is the proposal?

Mr. HOLMES. Yes, the proposed figure. Of the \$465 million, \$300 million that we are requesting would be concessional, direct credits.

Senator SARBANES. What does that mean?

Mr. HOLMES. That is at a concessional rate.

Senator SARBANES. I understand that. The question is what is the concession, what is the rate?

Mr. HOLMES. One moment, please.

[Pause.]

Mr. HOLMES. I would like to ask Mr. Dillery to give that answer.

Mr. DILLERY. Senator, for fiscal year 1983, for the program for Turkey, the \$300 million of concessional assistance would be at a long term and at a subsidized rate of interest that is somewhere in the neighborhood of 5 percent, perhaps even lower, to be worked out at a later time. But it would be in that neighborhood.

The \$165 million would be standard FMS terms, with the exception that there would be a longer repayment period. That would be at an essentially market rate of interest.

Senator SARBANES. Which is what, roughly?

Mr. DILLERY. Which is the prime rate, plus a percentage of two, depending on what it is at the time the agreement is reached.

Senator SARBANES. What would that be now, currently, just to give me some idea?

Mr. DILLERY. It would be 16, 17, or 18 percent, somewhere around there.

Senator SARBANES. And on these other countries, on their FMS?

Mr. DILLERY. Under the administration proposal, for Greece, it would all be regular FMS at market rates.

Senator SARBANES. And for Portugal?

Mr. HOLMES. As far as Spain is concerned, it would not be concessional. So it would be according to market rates similar to what Mr. Dillery was describing with respect to Portugal. Of the \$90 million, \$75 million would be concessional, and at the rate of approximately 75 percent.

Senator SARBANES. What were the terms this year, in fiscal year 1982? That was \$125 million for Spain, \$55 million for Portugal, \$280 million for Greece, and I guess we should say \$400 million for Turkey, combining those two figures that you gave me.

What were the terms this year?

Mr. HOLMES. For Spain \$125 million is according to market rates. For Portugal we originally requested within our own procedures, we requested \$60 million, of which we had hoped \$50 million would be concessional. But after this was reviewed it was decided that the total request would be for \$55 million, of which \$10 million would be grant.

Senator SARBANES. And the other \$45 million for Portugal was what?

Mr. HOLMES. That would be according to market rates.

Senator SARBANES. All right. And for Greece?

Mr. HOLMES. For Greece the \$280 million would be at market rates.

Senator SARBANES. This is for fiscal 1982?

Mr. HOLMES. Yes.

Senator SARBANES. And Turkey?

Mr. HOLMES. For Turkey, \$343 million would be at market rates as well.

Senator SARBANES. And the \$57 million?

Mr. HOLMES. That is grant, \$57.7 million grant aid.

Senator SARBANES. In considering the aid for Greece and Turkey, how much consideration is given to the problems between the two countries in terms of maintaining a balance?

Mr. HOLMES. We have designed these programs to be in accordance with the requirements of the law that the balance in the eastern Mediterranean be maintained. That was a primary consideration.

Senator SARBANES. In the instance of Greece, we have gone on FMI: sales from \$280 million to \$280 million, both at market; in the instance of Turkey, from \$400 million, \$343 million at market, and \$57 million as a grant, to \$465 million, \$300 million of it concessional and \$165 million at market. Is that correct?

Mr. HOLMES. That is correct.

Senator SARBANES. Now, there has been a great deal of discussion of a 7 to 10 ratio. The Congress has maintained that ratio over a number of successive years. Is the administration abandoning that ratio?

Mr. HOLMES. Senator, it is my understanding that the law does not specify a numerical ratio. It talks about the balance. When we look at our programs and attempt to design them to maintain that balance, we look at a number of factors. We look at the strength of the relative armed forces, at the state of their equipment, at the economic ability of the governments concerned to purchase military equipment from the marketplace.

We have never in the administration subscribed to a numerical ratio, which we think is a somewhat mechanistic way of looking at it. But we have tried to stay within the law, to maintain the balance of military force, considering all of the factors enumerated, in the eastern Mediterranean.

Senator SARBANES. Isn't it the case that since that provision was put into law, the ratio of the military side has been a 7 to 10 ratio?

Mr. HOLMES. That is the case. In past years there has been approximately a 7 to 10 ratio.

Senator SARBANES. I think there has been in each instance, has there not, a 7 to 10 ratio since that provision became law?

Mr. HOLMES. I do not know the answer to that question, sir. Has there been a 7 to 10 ratio in each instance since the law was put into effect?

Mr. DILLERY. Approximately, but sometimes it has not been precisely 7 to 10.

Senator SARBANES. And what is the basis for abandoning that ratio now?

Mr. HOLMES. We are not abandoning a ratio, Senator, that we have never established. According to our own method of calculation, we have concentrated on maintaining the balance of military power in the eastern Mediterranean.

Senator SARBANES. What is the method of calculation that leads you this year to arrive at a different ratio from the one arrived at in every other year since the provision was put into law?

Mr. HOLMES. I would ask Mr. Perle to make a comment about military requirements.

Mr. PERLE. Senator, we have tried very hard to look at the needs with respect to each of the countries receiving assistance. We also looked at the ability of countries to provide from their own resources in order to meet those needs.

Our current assessment is that the Turkish need is vastly larger than even the amount we are able to provide. It is the best we think we can do, and we believe in the case of assistance to Greece that the figure we have proposed, together with their ability to finance their own requirements, will do the job.

If that comes out at a ratio other than 7 to 10, it is because the criteria we apply are not arbitrary numerical distributions, but rather an assessment of the requirements.

Senator SARBANES. On what basis do you conclude that the balance is being maintained as between the two countries, which is, after all, a matter of considerable concern?

Mr. HOLMES. Well, one factor, Senator, would be the continued degradation of the obsolescent equipment, say for example in the Turkish armed forces; and on the other hand another factor in the Greek side would be the economic improvement in their country.

Senator SARBANES. Has there been economic improvement in Turkey?

Mr. HOLMES. There has been, yes, some improvement on the Turkish side as well although they have a long way to go to take full advantage of the economic reform plan that they put into effect several years ago. But I think if you look, for example, at the difference of per capita income of the two countries, it tells you something. There is a difference. In Turkey the average per capita income is about \$1,200, while in Greece it is about \$4,200.

Senator SARBANES. What you are doing is exacerbating that problem in the course of boosting these aid amounts. It seems to me there is a necessity, which the Congress has addressed on prior occasions, of maintaining this ratio in order to assure the parties in the area that the balance is going to be sustained.

I am not going to bring in the economic aid, but I note that you have increased it or propose to increase it by \$50 million. You have not only shifted the total figures to alter radically this approximate ratio, which has been perceived as constituting a balance, but you have also significantly altered the financing terms; isn't that correct?

Mr. HOLMES. There have been these changes that you have noted, yes.

Senator SARBANES. What do you think the implications of this are for American relationships with the two countries in the eastern Mediterranean?

Mr. HOLMES. I believe that both governments understand our approach and the methodology we use, and we consider that we have good relations with both countries and we want to maintain those relations.

Senator SARBANES. And that therefore both countries do not regard the 7 to 10 ratio as an important expression of the maintenance of the balance?

Mr. HOLMES. I didn't say that they didn't regard it as an important expression. They may regard it as such. But they understand, because we have told them repeatedly, what our methodology is and that we do not subscribe to using a numerical approach to maintaining the balance in the eastern Mediterranean. They understand the position of the U.S. Government very clearly on this.

Mr. PERLE. I wonder if I might add, Senator, that the implication that the balance results directly and automatically from the maintenance of the 7 to 10 ratio, or indeed could result from the maintenance of any other ratio, is a concept with which we disagree.

To put it in another context, I believe that the ratio of spending on strategic nuclear weapons between the United States and the Soviet Union over the last dozen or so years has been better than 2 to 1 in favor of the Soviet Union. I do not think you would want to conclude from that that the imbalance in forces that has resulted equals that magnitude.

There are a lot of other things involved: The rate of obsolescence of equipment and the requirement to replace it; the resources available from indigenous investment. The amount of assistance provided by the United States is only a part of the total defense budget.

Senator SARBANES. Mr. Perle, all of those factors were present, in fact to a greater degree than is now the case, in each past year when a 7 to 10 ratio was struck.

Mr. PERLE. In fact what we are now experiencing——

Senator SARBANES. The capacity of the Turkish economy to handle it was less in those years than it is now, the obsolescence problem was more pressing in those years than it is in fiscal 1983. And yet a 7 to 10 ratio was adopted in those years.

The very factors that you have alluded to are in fact more positive now, and yet you are not only not moving in the other direction or even maintaining the 7 to 10, you are in fact going in the opposite direction.

Mr. PERLE. In the case of the Turkish requirements, we are now encountering block obsolescence that was not the case in previous years.

Senator SARBANES. It was not the case last year or the year before?

Mr. PERLE. Well, in any given year a certain percentage of one's inventory becomes obsolete. But when you begin to lose your air force because you have aircraft that reach the end of their useful life and manufacturers can no longer supply spare parts, so that in order to keep one airplane flying you have to take parts from two or three, you have reached a crisis. And that is the situation.

Senator SARBANES. That is not a new situation. That factor was there, in fact in a more serious fashion, whenever you have taken major steps in recent years to bolster their capacity. That factor was there in a more serious degree than it is in fiscal 1983.

Mr. PERLE. As we look at the principal requirements for the modernization of the Turkish Air Force, Senator, we just do not agree with that. The F-100, in which it is risky to send a pilot up to fly, has become obsolete to the point now where it simply cannot be extended in service and has to be replaced. The F-104's are in pretty much the same situation.

These two elements of the Turkish Air Force need to be replaced, and the aid levels which we are proposing, which I have suggested earlier, are not adequate to the task but will make a beginning in the replacement of that equipment.

You cannot have a mathematical ratio from 1 year to the next that you can be sure is going to produce a balance between the Turkish Armed Forces and the Greek Armed Forces.

Senator SARBANES. Let me ask Secretary Holmes whether he thinks that the 7 to 10 ratio has attached to it now an important political significance in the perception of the nature of the American relationship.

Mr. HOLMES. I think that the ratio in the past may have had some significance. But as I said earlier, I do believe that the two governments concerned understand the method that we use in arriving at the figures for assistance for the two countries.

Senator SARBANES. What does the United States see as the outstanding issues in its relationship with Greece with respect to military cooperation?

Mr. HOLMES. The overriding interest is in our joint security——

Senator SARBANES. Not interests, issues.

Mr. HOLMES. The overriding issue is our joint security and our ability to deter the Warsaw Pact threat.

Senator SARBANES. And what issues need to be resolved between ourselves and Greece to help achieve that objective?

Mr. HOLMES. I am not certain what you are referring to.

Senator SARBANES. The base agreement.

Mr. HOLMES. If you are talking about the base agreement, we of course began negotiating on the agreement in January of 1981. Those talks were suspended in June of that year because of the parliamentary recess, and we are prepared now to recommence those negotiations at any time the Greek Government would like to.

In the meantime, we are operating our bases under previous agreements.

Senator SARBANES. But you see that as an outstanding matter which you would like to resolve; is that correct?

Mr. HOLMES. Yes. I think both countries recognize that it will be important to update our agreement covering those bases.

Senator SARBANES. Do you think you will be aided in helping to resolve that issue by placing it in a context in which, on the question of the balance in the eastern Mediterranean, the United States has markedly departed from the 7 to 10 ratio?

Mr. HOLMES. We have not heard any comment to that effect from the Greek Government.

Senator SARBANES. I did not ask you if you had heard any comment. You can expect to hear some comment. The real question is whether it is your perception that you are going to be aided in resolving the important matter of the bases by placing it in a context in which the United States has departed markedly from the 7 to 10 ratio.

Mr. HOLMES. The primary context and purpose of our assistance to Greece is to enable it to modernize its armed forces so that it can fulfill its mission in NATO.

Senator SARBANES. It would have been rather easy. Why did you not just request \$315 million for Greece?

Mr. HOLMES. We concluded, given the stringent budget requirements and the resources this year and given the state of the Greek armed forces and their relatively greater ability, because of the relatively stronger economy that they have than Turkey's, to purchase on the open market, that \$280 million would be sufficient.

Senator SARBANES. We are talking about market, but I am not even addressing the issue of market versus concessional, which is another issue.

Secretary Perle, from the point of view of United States-Greek military relationships and the strength of the Greek military, would a figure of \$315 million for Greece trouble you? Do you see any problem with that?

Mr. PERLE. No. I think the levels for all four of these countries are lower than they ought to be, Senator. If you are proposing the addition of funds, from a military point of view they would be gratefully received by the recipient countries and welcomed by the Department of Defense.

Senator SARBANES. I take it the State Department sees a problem with that?

Mr. HOLMES. With all due respect to my colleague from the Defense Department, we have the responsibility for this assistance, and within the available funds as we have analyzed the issue—of course we would always like to have more for all of our NATO allies, but given the circumstances—

Senator SARBANES. If the funds that I am addressing now were made available, you would accept that, would you not? You wouldn't have any problems with that?

Mr. HOLMES. I think before answering that we would have to know where those additional funds would come from. I think we would have to do another analysis if we were required to take those funds from another program.

Senator SARBANES. Suppose it was an add-on?

Mr. PERLE. I was assuming that you had in mind an add-on, that the money came from the social security budget or somewhere else. [Laughter.]

Senator SARBANES. I am not putting the hypothetical to the social security budget. I am putting the hypothetical of an add-on.

Mr. HOLMES. Well, we would obviously welcome an add-on.

Senator SARBANES. Even though it would get you back into this mechanistic formula, as you referred to it?

Mr. HOLMES. We don't calculate it on the basis of a mechanistic formula.

Senator SARBANES. Would it not strengthen your hand in achieving some important objectives if an approximate ratio were maintained and you weren't potentially sending the signals which you may send with the figures you are presenting to us?

Mr. HOLMES. I think our hand would be strengthened in terms of giving Greece the ability to strengthen its armed forces so that it could carry out its NATO role.

Senator SARBANES. Is that a desirable objective?

Mr. HOLMES. That is a desirable objective.

Mr. PERLE. It seems to me, Senator, the most useful thing we could do would be to agree that an arbitrary ratio does not reflect judgments about how we view the relationship with the countries involved, but rather complicates the problem of meeting the legitimate defense requirements of countries that receive our aid.

Senator SARBANES. I thought our line of questioning earlier essentially established the fact that to the extent one agrees with that, you then consider these other factors and find that, in fact, you are moving in exactly the wrong direction and the ratio, because the factors you cite were there, as I asserted, to a more pressing degree in earlier years when this was the ratio that was established and held to.

Mr. PERLE. I think you are making a military judgment about the current requirements of the Turkish and Greek Armed Forces, with which we simply disagree. And I might say, if you were to offer us an additional \$35 million—and I am speaking now from a defense point of view—my first priority would not be to add funds for Greece. I think there are other more pressing needs.

Senator SARBANES. Would you add them for Turkey?

Mr. PERLE. There are so many pressing needs that I might not even add them in the European region. But I think we would want in every case to make the best judgment we can about where the need is most pressing and try to fill that need.

If some day in the future, as we very much hope will be the case, all of our allies are in a position to fulfill their full NATO mission and requirements should then develop, I would hope that we would try to

meet those requirements without regard to arbitrary ratios, even if it meant better than 7 to 10.

Senator SARBANES. How do you propose to bring the southeastern flank of NATO back together if the United States does not maintain some posture and perception of evenhandedness in the situation?

Mr. HOLMES. Well, we believe that the southeastern front—

Senator SARBANES. I do not know why you have opened up this issue. I really find it incredible that the issue is being raised, with all the ancillary problems that run with it. It would have been easy enough to have maintained the approximate ratio and not raise this entire issue.

We have sought to do that each year since the provision was first put into law, it seems to me fairly successfully, thereby increasing the ability of the executive branch, as it were, to work with both countries and try to advance important interests. Now you have come along and created an issue where it need not have been done. I just do not understand it.

It seems to me, Mr. Chairman, that that is obviously one of the matters the committee ought to address, I would hope with a growing understanding or perception on the part of the administration of the potential problems that this creates.

We could have addressed the military reequipping issue without having opened up the ratio question at all. It is very simple. There is the one proposition and there are other ways to do it. But that was not done. I am perplexed as to why we seem to be creating additional problems in a situation that is quite delicate in any event.

Thank you, Mr. Chairman.

Senator LUGAR. Thank you very much, Senator Sarbanes.

Let me initiate my questioning by just making this statement.

This committee is having problems understanding the full implications of the President's request, because all of your assistance calculations, as I understand them, are based on fiscal year 1982 estimated levels, while we are working on the basis of our current fiscal year 1983 authorization. If the administration has any chance of getting higher foreign aid levels for fiscal year 1983 than those already authorized, it is imperative that we have at least an illustrative worldwide country-by-country allocation based on the current fiscal year 1983 authorization levels.

We need this by next week so that we can study it prior to the markup on May 3. Without it the committee is unlikely to fully understand the implications of staying at the fiscal year 1983 authorization level, increasing it or decreasing it.

I appreciate the problems that we have had in the past in markups, and last year was a titanic struggle, as all of you know, because you were in the room the last night with the Congress as we were struggling to come up with a bill. We finally came up with a 2-year authorization, and I must say personally, leaving aside the 7 to 10 argument, to see further complications arising is somewhat dispiriting, although there can always be changes in life and emergencies and what have you which call for adjustments in allocations.

I must say that I share the anxiety Senator Sarbanes expressed in the first part of his questioning as well as that of our staff. We went

through the same thing in another regional hearing this morning. We frankly do not know what you are doing. Now, that is not your fault necessarily, but we have struggled now to get through an understanding of assistance to five countries of southern Europe. The situations of these countries are not radically different from those of last year, but the requests for assistance are different. I am not sure where we are headed.

Why? Basically leaving aside the fact that we do not have the information this afternoon, which we really have to have and which we should have had for this hearing, this is somewhat of an exercise in futility, unless the whole thought was that we would just take a tour of the horizon of countries and say that we have some problems, which we agree we do have.

The fact is that there is a significant amount of money involved here, which represents a substantial increase in aid.

Foreign aid, if approved by Congress is going to be hard to come by, every dollar of it. Now when we really do not have any idea where the baselines are we really have problems. You know, you are in trouble when your friends have problems, and you should be aware that there are those who do not want to spend any money on this at all and that their numbers are not small in the Congress. They will really have a field day unless their situation and case for aid is made more clearly and convincingly.

So please help quickly, because we simply do not have the preparation today that we needed for this hearing.

Senator SARBANES. Mr. Chairman.

Senator LUGAR. Yes.

Senator SARBANES. I want to echo that. I did not go into this at great length this afternoon because I went into it at great length this morning. We worked very hard up here last year. We got a 2-year authorization, which I think we saw as a major achievement, providing some stability in this situation, not having to fight this battle in a more difficult year.

It seems to me that that should have been the case, and then you might have said, well now, look, there is a special situation that has developed, the Caribbean, for instance, that was not before you before but that we want you to address, at the same time, what was done, with a great deal of effort, and which, I think, we regarded as a very positive and constructive contribution, ought not simply to be put aside or overlooked. It should have been the base, essentially, or the real assumption for this year.

Senator LUGAR. Do you have any comment? Why are we at this point?

Mr. HOLMES. We will certainly provide what you request, Mr. Chairman. Obviously, there are some different situations that are arising as compared with last year, when you look at, for example, Turkey or Portugal or Spain, the last two in the context of our base negotiations. We will provide you with the analysis that you have requested and we will get it to you quickly.

Senator LUGAR. What is the request for Cyprus this year? As I understand, \$15 million was authorized in the action the Congress took. Are you leaving the \$15 million? In other words, is that simply neutral? What is happening to that money?

Mr. HOLMES. We are not requesting \$15 million for fiscal year 1983 for Cyprus.

Senator LUGAR. So that is a sort of give-back. In other places you are adding on money, but in the case of Cyprus you are giving back the \$15 million?

Mr. HOLMES. That is correct.

Senator LUGAR. So there will be no expenditure there after October 1 of this year.

Mr. HOLMES. That is correct.

Senator LUGAR. Now, on the issue Senator Sarbanes has explored, on the ratio situation, as I remember hearing last year at about this same time, there were different persons here representing the administration and they also took the position essentially that the 7 to 10 ratio had been an accident of history at some point in the past and that there was no specific reason why we always ought to have it at 7 to 10.

At least the position you have taken this year is consistent with the position you had last year. Now, the Congress finally imposed a 7 to 10 ratio again. This is essentially why we are back where we are.

The problem I suppose will always be one of trying to determine, given what you said today that both could use a lot more money, whether the moneys ought to be best spent in that area at all, that is Europe, as opposed to somewhere else, or are the problems of Turkey abnormally severe and every time they become more severe whether this justifies then upgrading Greece to maintain the 7 to 10 formula, even granted that Greece could use more money and there is some value in giving more money to Greece.

We are rocked back and forth on this. I think fairly rapidly what would happen, at least among many of our colleagues, would be to suggest that if this is a situation in which if we make a gesture on behalf of Turkey ipso facto there is more money for Greece, then it might be simply best to stop the whole escalation.

The problem of foreign policy with regard to Turkey, of course, is critical. They clearly are still in very great need, as you have expressed. I suppose I tend to feel that a very strong case has to be made why Turkey is very different this year and very different relative to all the other foreign policy situations in the world if there is to be a case for arguing out the 7 to 10 situation.

This has been a volatile issue in Congressional circles, as you know, for a long time. Are you prepared to make that case, or do you feel you have made it in the testimony you have given today?

Mr. HOLMES. Perhaps Mr. Perle would like to add to this, but I could make several points. First of all, with respect to the degradation of equipment in the hands of the Turkish armed forces, I think what we are seeing is the past catching up with us. There was a period, after all, in the 1970's when we were not able to send spare parts and new equipment to Turkey and their equipment began to fall apart at an increasingly rapid rate.

I think now we are seeing the cumulative effect of those years catching up with us. That is the first point.

Second, because of the very hostile or potentially hostile deployments, the massive deployments of the Soviet armed forces, particularly in the Trans-Caucasus area, there is an enhanced threat there to

our NATO allies, in addition to which there is a situation where, because of the continued uncertainty in Iran, the war between Iran and Iraq and the general instability in the Middle East and Southwest Asia, that Turkey assumes an even greater strategic importance for NATO and for the United States than it has in the past.

Senator LUGAR. Mr. Perle?

Mr. PERLE. Mr. Chairman, I think it is clear when year after year the Turkish air force is based principally on aircraft dating from the 1950's and on armor that dates from 1950, as each year passes the situation becomes worse, that is obvious. At some point the useful life of that equipment expires and you encounter the obsolescence problem.

But as a general proposition it seems to me there are two conflicting interests here, the 7 to 10 ratio on the one side and the concept of balance on the other, and the two are about as antithetical as any two concepts I can imagine, because it assumes that no matter what is already on the scales one will add 7 units here and 10 units there. And if you have an imbalance to begin with or if the situation changes and those things that comprise the balance differ you may make the problem worse rather than better.

The concept of balance implies that you even up where evening up is necessary. The fact is that the U.S. assistance is a small fraction of the defense budgets of both countries involved. Their own independent efforts have a lot more to do with the balance between them than our assistance one way or the other.

When it comes to coping with the Soviet Union, which sits adjacent to our Turkish ally, there the quality of equipment and the strength of those forces is wholly beyond our capability to influence. It is to that that we feel obliged to respond.

Senator LUGAR. Thank you.

Staff has given me this note, and I am still having trouble grappling with the \$15 million for Cyprus. It is not a huge item, but staff says Congress has already earmarked \$15 million for Cyprus for fiscal year 1983. What does that mean in relationship to the thought that you have just expressed, that there is not going to be money spent in fiscal 1983 in Cyprus?

Mr. HOLMES. Mr. Chairman, we of course recognize that it has been authorized under the 2-year authorization for fiscal years 1982 and 1983. But we are not asking for an appropriation for fiscal year 1983.

Senator LUGAR. All right. So at least it is unlikely to be spent, then. I do not want to be tedious, but will any money be spent in Cyprus after October 1?

Mr. HOLMES. Oh, there is money in the pipeline from previous fiscal years. For example, the scholarship fund; I think there is \$5 million in the 1982 appropriation. As the students are interviewed, recruited and sent off to do their studies in the United States, there will be money spent, obviously, beyond October 1st.

Senator SARBANES. May I ask Mr. Holmes a question?

Senator LUGAR. Yes.

Senator SARBANES. What signal do you see that sending with respect to the U.S. efforts to try to achieve a settlement on Cyprus?

Mr. HOLMES. We do not intend any signal by that.

Senator SARBANES. Do you think that no signal is sent?

Mr. HOLMES. We believe, and the government of Cyprus knows this, that the approximately \$130 million that has been spent to help with the displaced populations since 1974, plus the \$15 million in 1982, has been money very well spent, and that thanks to the very strong entrepreneurial effort of the Cypriots, they have made very striking progress in improving the economy of their country. They know that we feel that way.

And given again the stringent budget resources that are available to us, and comparing our priorities on a need-to-have basis, we concluded that it was not absolutely necessary to ask for \$15 million for Cyprus in fiscal year 1983.

Senator LUGAR. Just as a matter of curiosity, has the subject arisen with regard to the scholarship grants from Cyprus as to how this relates in terms of overall priorities with the domestic debate we are having about scholarships for young people in this country? Perhaps you are simply not worrying about it, and maybe properly so, in the foreign policy context. I can see this issue being argued in the Congress on the basis of money that might very well be spent for educational purposes in the United States, given the very considerable debate we are having right now about alleged cutbacks for aid domestically.

Mr. HOLMES. It is my understanding, Mr. Chairman, that the Congress earmarked this money for the scholarship fund.

Senator LUGAR. So the Congress would have to un-earmark it in the event that anxiety arose about the domestic situation?

Mr. HOLMES. I would suppose so.

Senator LUGAR. Do you have any further questions?

Senator SARBANES. Yes, I have a couple.

Senator LUGAR. Senator Sarbanes.

Senator SARBANES. Again, it seems to me, in the Cyprus matter, that you again are diminishing your own ability to act to try to bring about a resolution of the difficulties by your proposal on the refugee aid question. That is now the law. It is authorized, and if appropriated you would be required to spend it, is that not the case?

Mr. HOLMES. I believe it is the case, Senator.

Senator SARBANES. Has the U.S. Government made any representation to the military government in Turkey with respect to the Ecevit matter?

Mr. HOLMES. Senator, may I comment, before we get to the Ecevit question, on what you just said with respect to Cyprus?

Senator SARBANES. Sure.

Mr. HOLMES. I would just like to say that the fact that we have not asked for an appropriation for fiscal year 1983 does not in any way indicate a diminishing of our extremely strong interest and sense of friendship for the Government of Cyprus. I think that our concern about helping the United Nations-led effort to arrive at a solution to the Cyprus problem through the intercommunal talks—and I think this is revealed by the fact that our most senior leaders, including the President himself, who has met with President Kyprianou, and Secretary Haig, who has met with him and with the foreign ministers of Greece, Turkey, and Cyprus, as well as with the Secretary General of the U.N., and the appointment of a special coordinator, a senior officer in the Department, to work with United Nations officials and with the

parties to these talks—I think all of this effort indicates the very strong interest of our Government in arriving at a solution to the Cyprus problem.

Senator SARBANES. That is a fine statement, but the fact remains that it is not even as though you were in the position of asking the Congress to make this authorization. The Congress has in fact made it. And you are in the position apparently, of asking, the Congress either not to deliver the appropriations on it or perhaps even to rescind the authorization.

It obviously sends a signal, and I think a very unfortunate one. I think on reflection you would probably agree that it sends an unfortunate signal.

On the Ecevit matter, what can you say?

Mr. HOLMES. Your question was whether or not we have made an approach?

Senator SARBANES. I understand the West German Government has expressed a great deal of concern to the Turkish military about the treatment of Ecevit and of other Turkish political, labor leaders, journalists, and so forth. Has the U.S. Government done anything of that sort?

Mr. HOLMES. To the best of my knowledge, we have not made a specific approach to the Turkish Government about Mr. Ecevit.

Senator SARBANES. Do you think we should consider doing so?

Mr. HOLMES. We have not made such an approach.

Senator SARBANES. Do you think we should consider doing so?

Mr. HOLMES. We believe that the way that the Turkish Government proposes to move on the timetable that has already been established for a return to democracy—the constituent assembly, the appointment of the constituent assembly, the drafting of the constitution, a referendum and elections by the spring of 1983—is a process to which they are committed.

We think it is a credible premise on their part and we accept that and are not interfering in their internal political process.

Senator SARBANES. Are you not concerned about what is happening to former Prime Minister Ecevit?

Mr. HOLMES. We clearly are concerned by the pace and the direction at which the Turkish Government is returning to democratic and full restoration—

Senator SARBANES. I am talking about the specific situation. Apparently he may now go back to jail for writing an article in "Der Spiegel." Should that not be a matter for concern?

Mr. HOLMES. We do not believe it is our responsibility to question the laws under which the Turkish Government is operating.

Senator SARBANES. I find that incredible. Where is our Government going to be if these people ever regain authority in Turkey, if you sit here before a congressional committee and do not express any concern for some basic denials of political rights?

The executive branch did the same thing in Greece at the time of the military junta, and some of us in the Congress at that point said that we should express greater concern about the denial of democratic freedoms, first of all because it was the right thing to do and second, if I cannot persuade you with that basic argument, then on the basis of our own national self-interest. Some day civilian elements will

return to authority and it will be important to have a good relationship with them. If we ignore them and totally cast them off in the time of their greatest travail, we will not have any credits with them.

I understand what the situation was in Turkey and what the military was seeking to do, and I very much hope they will move toward the problem of returning the government to civilian authority. But when the other European democratic countries are sufficiently concerned about it to express publicly their concern, it seems to me worrisome for the United States not only to fail to take that position but, as I understand from what you are telling me, not to express privately any concern. That is a policy fraught with all kinds of adverse consequences for U.S. interests.

Mr. HOLMES. Well, first of all, Mr. Ecevit has not gone to trial yet on the basis of this latest charge. Second, at the time the Turkish military assumed control of the Government of Turkey, at that time the United States did express regret, as would be normal when democratic processes are suspended.

At the same time, I think it is very important to recognize what was happening in Turkey at that time. They were in a state of near anarchy and violence, with approximately 20 people a day being assassinated.

Senator SARBANES. I am not retracing that history. I am simply addressing now whether the United States should not express some concern about the denial of very basic freedoms to men who have been former prime ministers, to journalists, to labor officials, and to others.

I commend for your examination Foreign Minister Gentscher's statements earlier in the year after meeting with the Turkish military leaders, as contrasted with the Secretary of Defense Weinberger's, in which they both talked about the importance of the relationship, but Mr. Gentscher at least had some concern about what was transpiring.

As I said, I think we should reflect that concern as a matter of important values. If I cannot persuade you on that fundamental point, then I would hope to persuade you on the basis that one day, perhaps in the not too distant future, the very civilians about whose plight we are not expressing any concern will be in authority and will be the very people whom we will be required to deal with.

I point as an object lesson to what we encountered in Greece as a consequence of the same misguided policy during the reign of the military junta, a regime of which I was sharply critical. Because of that, we subsequently had a much more difficult time when the civilian authority was reestablished.

It seems to me that we have to be sensitive. I think that is a pretty commonsense evaluation of our political national interest in the future. I would hope that the Department would look carefully at the Ecevit and other comparable situations and would reach a conclusion that some representation to the military regime is appropriate.

Mr. PERLE. Senator Sarbanes, since I was with Secretary Weinberger when he made the statements to which you are referring, let me just say that there is no question about Secretary Weinberger's preference or indeed the preference of this administration or its predecessors and successors for democratic procedures and democratic societies.

That question is separate and apart from the question of the most effective way to bring that about in any given situation. It is not necessarily the case that public statements issued in Ankara are the most effective way to encourage the restoration of Turkish democracy, which we believe is in the process of restoration in any case.

Senator SARBANES. That is a point worth making. The point I made was to contrast the Secretary's statement with that of the Foreign Minister of West Germany, Mr. Genscher. I think if you do that there is a very sharp difference on this point. Mr. Genscher found a way of recognizing the existing realities and the necessity of working with them and cooperating, and yet at the same time registering some concern about this situation.

That does not diminish the German influence in the current situation, and improves the prospects for their influence in a future situation. The latter is something the United States failed to achieve or appears to be failing to achieve, as I pursue this questioning.

Senator LUGAR. Gentlemen, we appreciate your coming here this afternoon. You can help us by providing us with the additional information requested prior to our markup and further debate.

Senator SARBANES. Mr. Chairman, I would like to put into the record the editorial from the Washington Post of 2 days ago, "Free Bulent Ecevit," which I think addresses this issue very well.

Senator LUGAR. Without objection, it will be placed in the record. [The editorial referred to follows:]

[From the Washington Post, April 14, 1982]

FREE BULENT ECEVIT

Why does Turkey's military government keep locking up its three-time elected prime minister, Bulent Ecevit? He is no terrorist of the sort whose depredations forced the generals to seize power in 1980. He is a certified democrat, humanist and lover of liberty, the single Turk who most represents to Westerners the values Turks share with the West. It is conceivable that Mr. Ecevit, aware that his fate is followed from afar, is deliberating testing the regime's democratic protestations. But the proper way for the regime to react is not to lock him up. It is to let him out in order to prove its own promise of an early return to representative rule.

Turks look West uncertain whether to ask for deference on account of their Byzantine and Islamic roots or to demand equal treatment for having had strong links to Europe for at least two centuries. They want it realized that they have special problems arising from their special geographical and economic place, but they insist on not being taken as second-class citizens of the Western alliance. It is a difficult act to carry off, and the Western democracies have good reason to respect the effort the Turks have made. This regime has suppressed a terrorist movement of a ferocity unimaginable in the West, turned around a desperate economy and moved toward its goal of elections by early 1984.

The more's the pity, then, that Turks show such surprise when their friends occasionally evince unhappiness over what looks like unaccountable backsliding. The West's understanding of the imperatives of the Turkish crisis—an understanding expressed in substantial material as well as political terms—surely has won it a right to speak up when it feels Turkey has gone too far. Questions about the fate of Mr. Ecevit and other prominent democratic prisoners, or about some of the means used to root out subversion, are entirely legitimate. Yet too often Turks react to them as though their very honor had been fatally impaired. They should, rather, understand that their allies are no less eager than they themselves profess to be to see them return to the democratic fold. They should let Mr. Ecevit go free—now.

[Pause.]

Senator LUGAR. The Chair would like to call forward Mr. Paul Henze, Mr. Orestes Varvitsiotes, and Mr. Eugene Rossides.

[Pause.]

Senator LUGAR. Gentlemen, we appreciate your patience in waiting for this opportunity. It would be helpful if you would please summarize your testimony and then we will proceed to questions after you have done so. I would like for you to testify in the order that I called you, first Mr. Henze.

[Mr. Henze's biographical sketch follows:]

BIOGRAPHICAL SKETCH OF PAUL BERNARD HENZE

Born in Minnesota in 1924. Entered U.S. Army at age 18 and served three years in World War II, primarily in Europe. Earned BA from St. Olaf College in 1948 (Summa cum Laude, History, Languages) and MA from Harvard University in 1950 (Russian Program).

Spent 30 years in U.S. Government and government-related organizations, 1950-1980, including Radio Free Europe, Johns Hopkins Operation Research Office, Department of Defense, U.S. Embassies in Addis Ababa and Ankara and National Security Council Staff (1977-1980).

Retired from U.S. Government December 1980 and has since been active as business consultant and free-lance journalist, contributing to the Christian Science Monitor, Wall Street Journal, Reader's Digest and other publications.

Publications include *Ethiopian Journeys* (London, 1977) and numerous articles in scholarly journals and periodicals on Caucasus and Central Asia, Eastern Europe, Turkey, Ethiopia, archaeology, current affairs, travel, broadcasting and linguistics.

Married with six children, 15-28. Wife is executive at Academic Travel Abroad, major contractor for Smithsonian Associates Travel Program.

Currently Fellow at the Woodrow Wilson Center for Scholars at the Smithsonian Institution, Washington, D.C., working on project "The Superpowers and the Horn of Africa—Dilemmas and Challenges."

Residence: 6014 Namakagan Road, Glen Echo Heights, Maryland 20816.

STATEMENT OF PAUL B. HENZE, FELLOW, WOODROW WILSON CENTER FOR SCHOLARS, SMITHSONIAN INSTITUTE

Mr. HENZE. Thank you, Mr. Chairman. I left a statement for the committee, which I believe has been made available to others who wish to have it. I would like to make only a few points in addition to the statement and to cite a few statistics.

I am not in any way arguing or advocating that we not supply aid to Greece, Greece needs aid. Greece may need aid in the future even more than it has in the past.

If the policies of the present Government of Greece, which it has declared it is interested in carrying out, policies that are distinctly Socialist and neutralist and in many respects anti-American, are actually implemented—one hopes they will not be—but if they are, Greece may find itself in a less fortunate economic condition than it has been to date.

Fortunately, Greece has enjoyed since the era of the colonels economic prosperity, and this economic prosperity has enabled Greece to improve its military posture far beyond the level that it enjoyed a decade or a decade and a half ago.

I would like to address in this connection the particular subject of balance. Here I think we have been paying lip service to an illusion and

a delusion. We need a strong Greece, but the fact that the Congress each year for a great many years has observed the 7-to-10 principle, or in some instances in recent years more than a 7-to-10 ratio, does not in itself prove the logic of the ratio.

In fact, if one examines the data, if one examines the statistics, one finds that the so-called policy of balance has produced a steadily worsening imbalance. This is because providing military aid at the ratio of 7-to-10 for Armed Forces whose relationship to each is 1 to 2½ in size naturally gives a greater advantage to the smaller Armed Forces.

I would like to cite a few statistics that underscore this. I have left with the committee staff a detailed report which I did last winter for the Woodrow Wilson Center of the Smithsonian, which examines all of these questions in great detail, and as far as I know for the first time goes back and reviews all of the statistics made available by the Arms Control and Disarmament Agency on aid for Greece, aid for Turkey, and relative military strength of the two.

The truth of the matter is, Greece has been getting steadily stronger in respect to Turkey over the last 8 years, and our aid has only been one factor which has contributed to this relative gain in strength. Now, I am not arguing that it is not desirable to have a strong Greece. It is very desirable to have a strong Greece, but it is equally desirable to have a strong Turkey.

Our strengthening of Greece has been at the expense and relative disadvantage of Turkey. In addition to the disparity caused by the 7-to-10 ratio—and the 7-to-10 ratio, by the way, in the year 1979 was actually a 7.6-to-10 ratio, in 1980 a 7.4-to-10 ratio, and in 1981 a 7.4-to-10 ratio; it reverted to 7 to 10 last year.

There is very little justification for it. As I say, it produces imbalance, not balance. It strengthens Greece at the expense of Turkey. It inhibits the expansion of the Turkish Armed Forces, which is very much to the net advantage of the United States.

After all, the main purpose of providing the taxpayers' money in the form of military to friends and allies is to improve our own security. Our own security is not improved if the aid is not dispensed in such a way as to give prime consideration to security factors.

Over recent years, because of massive arms purchases, Greece has been improving its relative arms strength at a rate almost 50 percent more rapidly than Turkey. One simple statistic—and I have many—will illustrate this point. During the years 1974 to 1979, the 6 years following the return of democracy in Greece, Greece's military expenditures almost doubled. Arms imports almost doubled. During that period, Greece imported \$351 million worth of arms. That is our own aid plus Greek purchases. During the same period Turkey imported \$218 million worth of arms, primarily American aid because it had no other resources to draw on.

The whole subject of so-called balance should be reexamined. My only criticism of my former governmental colleagues who testified during the previous hour is that they have been too cautious in going back and really looking objectively at the figures.

One of the things the Congress could encourage, and it would be very much in the interest of the Congress in terms of allocating our limited, as everyone recognizes, too limited defense resources effectively, would

be to take a fresh look at the question of military balance and see whether the so-called 7-to-10 ratio actually achieves the stated aims.

I think I have demonstrated and the statistics I have supplied you—and they are not my statistics; they are official U.S. Government statistics, based on actual performance, arms deliveries, and so forth—this demonstrates very clearly that we are worsening the imbalance.

Now, there is a strong case—and I agree with Mr. Perle that there is a strong case—for even giving more aid to Greece at the present time. But if one is to look at where aid is more needed, it is obviously needed by Turkey, because Turkey plays a far larger role, is in a much more exposed position, and is relevant to a far larger range of defense concerns.

Greece is important to our defense. We need Greece in NATO. We very much hope Greece will stay in NATO, and I hope our Government can administer its policies in such fashion as to keep Greece in NATO. But we also need Turkey in NATO. Now, Turkey has never left NATO, it has no intention of leaving NATO, and it plays a very important NATO role. It maintains the largest standing army in NATO, next to the United States itself. This army is practically all allocated for NATO purposes.

I would like to make a couple of other comments on related issues.

Senator LUGAR. Would you summarize those, sir? We really need to press on.

Mr. HENZE. Let me just mention Cyprus and say a couple of words about aid to Cyprus. Obviously, we all want to see the Cyprus question settled and many of us have put long hours and years into working on toward this aim.

My own observation from deep involvement over an extended period of time is that simply allocating money, throwing money at the Cyprus problem, whether it is \$15 million a year or \$5 million a year, makes no contribution at all. I think it is particularly doubtful at the present time whether allocating money for Cyprus under circumstances where in effect we make it easier for a Cypriot, Greek, or Turkish, to get American taxpayer support for his education than we make it for most Americans is a very dubious proposition.

Thank you.

[Mr. Henze's prepared statement follows:]

PREPARED STATEMENT OF PAUL B. HENZE

Turkey maintains the largest land forces in NATO after the United States. It is more directly exposed to Soviet threat than any other NATO member. It is crucially relevant to our Middle East security concerns. Its armed forces are badly in need of modernization. It is hard to think of anything we could do in that part of the world to improve our position more quickly than to upgrade Turkey's military effectiveness.

The Russians understand the importance of Turkey, as Dusko Doder's comprehensive—and ominous—report from Moscow in the Washington Post of 12 February 1982 demonstrated (attached). They spent at least \$1 billion promoting terrorism and destabilization in Turkey in the 3 years before the Turkish military leaders assumed power, an amount equal to all NATO military aid for the country during the same period. They have not given up, for Turkey not only constitutes an obstacle to their historical urge to expand into the Mediterranean and Middle East; its successful economic recovery, based on a sharp turn toward free-market principles, stands in stark contrast to the stagnant authoritarianism of the Soviet Empire to the north and negates all Communist claims about the superiority of "socialism."

It is desirable, of course, that Greece also continue to receive military aid as a NATO member and U.S. ally. It is also important to encourage Greece to maintain a strong economy and links with the EEC. The socialist and neutralist inclinations of Greece's new leadership raise unfortunate doubts about such prospects. Under such circumstances, it is in the U.S. interest to de-couple issues relating to aid for Greece from Turkish aid questions. Reconsideration of the unrealistic 7-10 aid ratio has long been overdue.

During the 6 years that Greece remained outside of the NATO military structure, the ratio actually rose above the 7-10 level, with the result that the so-called policy of "balance" between aid for Greece and Turkey—designed to keep their relative military strength unchanged—resulted in a sharp increase in Greek military capabilities and a relative decline in Turkey's. The gain of the Greek armed forces in strength and effectiveness over Turkey's was the result both of proportionately much larger U.S. aid plus sizable independent purchases of military equipment by Greece from her own resources. Turkey has not been in a position to make the same kind of additional investment. At present the United States provides more than twice as much assistance for each Greek soldier as it does per Turk. This is not only a dubious form of discrimination among allies, but contrary to our own national defense interests—the ultimate justification for our military aid program.

I submit to the Committee excerpts from a recent detailed study I have done for the Wilson Center entitled "Turkey, the Alliance and the Middle East . . ." which reflects my long experience and involvement with this part of the world. I respectfully call the Committee's particular attention to the statistical annex to this study, which is derived entirely from official U.S. Government published data.

[From the Washington Post, Feb. 12, 1982]

ANTI-WEST MOVE SEEN IN SHIFT BY SOVIETS ON TURKEY

(By Dusko Doder)

Moscow, February 11.—The Soviet Union has mounted a campaign of heavy pressure on Turkey with a flurry of propaganda assaults on its military government and open expressions of diplomatic support for new Socialist government of Greece in its dispute with Turkey.

After virtually avoiding criticism of the Turkish military takeover 16 months ago, the Soviet news media have used the strongest language during the past week to denounce what it calls the Turkish junta's "violation of human rights" and "bestial" treatment of political prisoners.

The sudden shift in attitude toward a sensitive neighbor was seen in part as an effort to counter the Western outcry that followed the imposition of military rule in Poland.

But the Soviets also have abandoned their traditionally evenhanded stance toward Greek-Turkish disputes to take a distinctly pro-Greek position.

Soviet sources privately conceded that the shift in Turkish policy was designed to provide support for the new Socialist government of Greek Premier Andreas Papandreu and sustain his independence and assertiveness in foreign policy.

According to the sources, the Reagan administration is seen here to be using Turkey as a "lever" to keep Papandreu from implementing his electoral pledges to negotiate a gradual phaseout of U.S. military installations in Greece and take the country out of the North Atlantic Treaty Organization.

The Kremlin has been looking with satisfaction as Papandreu broke ranks with NATO allies on the question of sanctions against the Soviet Union and Poland over Poland's imposition of martial law. Papandreu also has hinted that he may block procedures to bring Spain into NATO. His demand that NATO should guarantee Greece's borders against an attack by Turkey, also a NATO member, caused an alliance defense ministers' meeting in December to end without a communique, for the first time in the alliance's 33 years.

A series of incidents involving alleged Turkish naval violations of Greek territorial waters in recent weeks has produced a new exchange of insults between Athens and Ankara over the disputed Aegean Sea waters and their rival claims to the continental shelf.

While a member of Greece's opposition, an intensely nationalistic Papandreu had called on the Greek armed forces to take "dynamic action" against a Turkish survey ship prospecting for oil in Aegean areas claimed by Greece.

Six years ago the two countries, their relations already disrupted by the Turkish invasion of Cyprus, came to the brink of war over the issues.

Since taking office last October, however, Papandreu has moderated his pronouncements on the question of the continental shelf.

According to diplomatic observers, the Soviets are believed to fear that Papandreu's inability to deal with Turkish pressures could force him into a political dialogue under the auspices of NATO and blunt his independent policies.

The official Soviet news agency Tass asserted last week that the "real threat to Greece" comes from Turkey. The Communist Party newspaper Pravda at the same time endorsed the Greek position on the Aegean issues by saying that the problem should be resolved "according to the principles of international law and established practices."

Under a 1923 pact, Greece gained control over more than 3,000 Aegean islands with the exception of Imvros and Tenedos, which guard the entrance to the Dardanelles. The Turks for decades did not challenge this until the early 1970s, when prospects arose of oil fields in the Aegean.

Should Greece extend its present six-mile territorial limit to 12 miles—as reportedly has been discussed in Athens—the Aegean would practically become a Greek lake, with expanded territories around the many islands.

The Turks, who have adamantly opposed any extension of territorial limits on grounds that it would severely hamper their lines of communications, have argued that the Aegean is a special case that should be resolved by political means.

The question of the continental shelf involves the notion that the many islands have continental shelves of their own. Since Greek islands form an almost uninterrupted string along the Turkish Aegean Coast, this could exclude Turkish claims to a continental shelf.

The Turks contend that their coast has a continental shelf of its own and that this should be extended westward from the Greek islands for reasons of "equity."

Apart from openly endorsing the Greek position, the Soviets for the first time accused Turkey of blocking a settlement in Cyprus. The government newspaper Izvestia said the Turkish side "has not yet shown the good will" necessary to resolve the issue. Cyprus has been effectively partitioned since the 1974 Turkish invasion.

Perhaps the most significant pressure on the Turks is coming from daily press accounts of Ankara's martial-law policies. The Soviet press has reported that as many as 200,000 persons have been arrested in Turkey during the junta's "furious campaign of terror and violence."

News accounts and comments also suggest that the Soviets are attempting to organize a major international campaign on behalf of 52 Marxist trade union leaders on trial in Istanbul.

Earlier this week, the Soviet news media also endorsed the creation of a "broad democratic front" of exiled leftist parties including the Communist Party of Turkey with an attack on new U.S.-Turkish military cooperation and charges that the Turkish junta "with direct American support" is violating democratic rights in Turkey and keeping "tens of thousands of Turkish citizens" in jail for their "progressive views."

Moscow's sudden interest in internal Turkish policies also coincides with what Soviet sources say are Soviet assessments that the Turkish generals, after initially receiving nearly unanimous support for reducing political violence, are facing growing discontent over their hard-line policies.

The thrust of Soviet comments is that the United States is giving full backing to the Turkish junta and that this is a relationship aimed against Greece. In this context, according to these sources, Moscow expects Papandreu to assess Greece's future relationship with NATO and Washington.

Senator LUGAR. Thank you very much, Mr. Henze.

Mr. Varvitsiotes?

[Mr. Varvitsiotes' biographical sketch follows:]

BIOGRAPHICAL SKETCH OF ORESTIS G. VARVITSIOTES

Mr. Varvitsiotes lives in Brooklyn, New York, and is a Senior Vice President with the investment firm of Prescott, Ball & Turben, New York City. He serves on the Board of Trustees of the Holy Cross Greek Orthodox Church in Brooklyn, and is a past president of Brooklyn Chapter No. 41, Order of AHEPA.

Prior to his entry into the financial world, Mr. Varvitsiotes, served as a journalist for the Greek and the Greek American press in New York City. He has served as a member of the Hellenic-American Central Committee for Cyprus and has prepared numerous memoranda discussing the Cyprus issue over a long period of years. Currently he is serving as a member of the parochial school board of the Three Hierarchs Greek Orthodox Church in Brooklyn and is a Trustee of St. Michael's Home for the Aged of the Greek Orthodox Archdiocese and is Chairman of the Advisory Council of the Center for Byzantine and Modern Greek Studies at Queens College.

Mr. Varvitsiotes is married to the former Evangeline Giannos and has three children, Maritsa 20, Orestes, Jr., 16 and Yannina 12.

STATEMENT OF ORESTES G. VARVITSIOTES, CHAIRMAN, AMERICAN HELLENIC INSTITUTE PUBLIC AFFAIRS COMMITTEE, INC.

Mr. VARVITSIOTES. Thank you very much, Senator. I appreciate the opportunity to appear before this committee to present on behalf of the American Hellenic Institute Public Affairs Committee our views in opposition to the administration's request for increased military and economic assistance for Turkey. I am submitting for the record a written statement of our special counsel, Mr. Eugene Rossides, which deals in detail with the reasons for our opposition.

As the new chairman of the American Hellenic Institute Public Affairs Committee, Inc., Mr. Chairman, I wish to stress the Greek-American community's deep concern on this issue as it affects U.S. interests in the area. I would like in particular to stress three points:

One is that economic assistance should be given to countries which show a certain ability to manage such aid prudently, efficiently, and effectively. Turkey does not qualify on any such grounds. Although she did not suffer the ravages of World War II—she was playing hard to get with the Axis powers then—she has received massive infusions of economic aid from the United States ever since the Truman doctrine in 1947. Turkey is once again on the verge of economic collapse. Just providing Turkey with assistance, then, is not the answer.

The second point we would like to make, Mr. Chairman, is that increased aid to Turkey would tip the balance of power in the eastern Mediterranean, without any notable effect on the Soviet Union. It would, however, place Greece in a precarious position, since Turkey's preoccupation seems to be the Aegean and not the Soviet Union. Any one-sided increase in military assistance to Turkey, then, would be considered an unfriendly act by the Greek people and would have an adverse effect in our already strained relations with Greece.

My third point is our real defense lies with freely elected democratic regimes and not military dictatorships, this is a principle we should always try to adhere to and not tamper with the way the administration is doing so frequently.

It seems that our gross failure in Iran would be repeated again, this time in Turkey, for we forget that the challenge confronting us is primarily ideological, not military, and instead of trying to win the hearts and minds of men we try to beef up regimes whose ideology is not only alien to ours but oftentimes diametrically the opposite. It seems that we have lost our faith in ourselves and what we ought to stand for. It indeed is a sad commentary, Mr. Chairman.

With your permission, Mr. Chairman, I would like to ask Mr.

Rossides to present a summary of the positions expounded in the statement submitted. Thank you.

Senator LUGAR. Thank you.

Mr. Rossides.

[Mr. Rossides' biographical sketch follows:]

BIOGRAPHICAL SKETCH OF EUGENE T. ROSSIDES

Mr. Rossides served as Assistant Secretary of the United States Treasury Department from 1969 to 1973. His responsibilities included direct supervision of the U.S. Customs Service, U.S. Secret Service, Bureau of Alcohol, Tobacco & Firearms, Bureau of the Mint, Bureau of Engraving and Printing, Office of Tariff and Trade Affairs, Office of Foreign Assets Control, Office of Law Enforcement, Office of Operations, and Consolidated Federal Law Enforcement Training Center, and policy guidance for Internal Revenue Service law enforcement activities.

Mr. Rossides was the customs, tariff and trade policy advisor to the Secretary of the Treasury and handled Treasury's relations with the Congress and with the other Executive Department on those matters. He had final authority for Treasury's decisions under the customs and related laws including tariff classifications and valuations, and the Antidumping and Countervailing Duty laws. He supervised U.S. relations with the Customs Cooperation Council (CCC), an international organization of some 72 countries. He is the author of "U.S. Customs, Tariffs, and Trade," published by the Bureau of National Affairs in October 1977, and Chief Editor of its U.S. Import Weekly.

Mr. Rossides served as the law enforcement policy advisor to the Secretary of the Treasury. He served as United States Representative to INTERPOL (International Criminal Police Organization) from 1969 to January 1973, and was one of the three Vice Presidents (1969-1971).

In 1952 he served in the Rackets Bureau on the staff of New York County District Attorney Frank S. Hogan. In 1956-1958, he served as an Assistant Attorney General, New York, in the Bureau of Securities, appointed by the then Attorney General, Jacob K. Javits. From 1958 to 1961, he served as Assistant to Treasury Under Secretary Fred C. Scribner, Jr., before returning to the practice of law.

A native of New York, Mr. Rossides graduated from Erasmus Hall High School and received his A.B. Degree from Columbia College in 1949 and his LL.B. Degree from Columbia Law School in 1952.

In 1972, Mr. Rossides was awarded the Columbia University Medal for Excellence and was also given the Young Lawyer's Award by the Columbia Law School Alumni Association.

In 1974, he was chosen by the National Collegiate Athletic Association as one of five recipients of its Silver Anniversary Award.

A member of the Greek Orthodox Church, Mr. Rossides served on its highest ruling body, the Archdiocesan Council, from 1969-1972. He is a founding member and Chairman of the American Hellenic Institute, Inc., and Special Counsel to the American Hellenic Institute Public Affairs Committee, Inc. A former legal officer for the Air Materiel Command, U.S. Air Force (1952-1953), Mr. Rossides was president of the Judge Advocate General's New York Unit of the Reserve Officers' Association.

Mr. Rossides is married and has four children.

STATEMENT OF EUGENE T. ROSSIDES, SPECIAL COUNSEL, AMERICAN HELLENIC INSTITUTE PUBLIC AFFAIRS COMMITTEE, INC.

Mr. ROSSIDES. Mr. Chairman, I will be very brief. The first page of the statement summarizes the testimony that basically, with the economic crisis we face, this committee should not be talking about increases in foreign aid, but decreases, as the chairman of the committee mentioned in yesterday's hearings.

I want to respond to several points made this morning. To listen to our representatives from the State Department, the Defense Depart-

ment and a former member of the NSC staff is to listen to mythology and fantasy and false statements.

Mr. Holmes mentioned that the embargo was the cause of the obsolescence. Absolutely false, and your committee staff issued the report which says it is false, because your committee staff a few years ago pointed out the embargo had minimal effect. First of all, the embargo was only for 8 months. Thereafter they got \$125 million annually, then \$175 million in fiscal 1978, \$225 million in fiscal 1979, \$450 million in fiscal 1980 and in fiscal 1981, and \$700 million authorized for fiscal 1982 and for fiscal 1983. They were also able to get equipment from elsewhere. So it is a false statement.

Mr. Paul Henze, on the NSC staff for 4 years during the Carter administration and part and parcel of the same policy which has put us where we are today, made the false statement that all of the Turkish armed forces are allocated to NATO. That is completely false. Aside from the Army of the Aegean, you have the 25,000 to 30,000 troops in Cyprus, which we are paying for. That money could be used at home, Mr. Chairman.

But I would urge you to look at the section dealing with Turkey's de facto military cooperation with the Soviet Union. They allowed the U.S.S.R. overflights while refusing them to us in the 1973 war, before Cyprus. Just 2 years ago, General Evren, the chairman of the military junta of Turkey, said to us when we wanted to have the U-2 flights over Turkey—what did he say, Mr. Chairman? He said clear it with Moscow.

Now, it is just absolutely ludicrous to sit here and listen to the Defense Department state that because of a trans-Caucasus buildup by the Soviets, Turkey is somehow going to be more important for the Persian Gulf, Mr. Chairman, I urge you to get involved in the strategic issues.

On the ratio of 7 to 10, Chairman Percy pointed out that the economic aid is fungible and should really be considered. So the adverse ratio is far greater, probably a minimum of 4 to 10.

Mr. Chairman, we ask that in this economic crisis that not only the ratios be reviewed, but that the strategic values involved be reviewed. To talk about Turkey being a loyal ally and which would be involved in a war with the Soviet Union is not listening to reality.

Thank you, Mr. Chairman.

[Mr. Rossides' prepared statement follows:]

PREPARED STATEMENT OF EUGENE T. ROSSIDES

Mr. Chairman and members of the Subcommittee, this statement is submitted on behalf of the American Hellenic Institute Public Affairs Committee, Inc., and presents views in opposition to the Administration's proposal to increase military and economic assistance to Turkey for fiscal 1983 from \$704.2 million to \$820.1 million, an increase of \$115.9 million a few months after the two-year International Security and Development Cooperation Act of 1981 was signed into law on December 29, 1981.

The subcommittee should, in the interests of U.S. domestic and foreign policy, including national security considerations, unanimously reject the administration's proposal to increase military and economic assistance to the Turkish junta for fiscal 1983 from \$704.2 million to \$820.1 million, an increase of \$115.9 million, for the following reasons:

1. THE PRESENT ECONOMIC CRISIS WITH 9 PERCENT UNEMPLOYMENT, THE HUGE FEDERAL BUDGET DEFICIT FOR FISCAL 1982, THE REVISED PROJECTED, STAGGERING FEDERAL BUDGET DEFICIT FOR FISCAL 1983 OF \$101.9 BILLION, OUR DOMESTIC AND DEFENSE NEEDS, AND THE URGENT AND VITAL NEED TO CUT FEDERAL SPENDING

The central question is whether it is better for U.S. domestic, foreign and national security interests to increase military and economic aid to Turkey in the amount of \$115.9 million over the recently authorized \$704.2 million or to use those dollars for our own defense and domestic needs, including the reduction of our huge Federal deficit and the needs of each of our 50 States.

We submit that the Administration's proposal does actual harm to U.S. national security interests in view of our economic crisis and as long as the Turkish military junta continues:

Its aggression in Cyprus with 27,000 occupation troops, 40,000 colonists and economic subsidization of the Turkish Cypriots, all at an estimated cost of \$300 to \$500 million annually (which in effect is subsidized by the American taxpayer);

Its threats against Greece in the Aegean; and its non-NATO Army of the Aegean aimed at Greece at an estimated cost of \$250 million to \$400 million annually (subsidized in substantial part by the American taxpayer); and

Its opposition to Greece's military operational control of the Aegean for NATO, which Greece had prior to Turkey's aggression in Cyprus in 1974.

The harm to U.S. national security interests is at least five-fold:

The precedent it has set for Soviet and other aggression;

The double standard for Turkey compared to our policy towards Soviet aggression in Afghanistan and our policy towards repression and martial law in Poland;

The alienation of Greece;

The jeopardizing of Western bases in Greece and Cyprus; and

The continuation of a senseless arms race between Greece and Turkey which harms both nations.

The small amount of intelligence information we get via three listening posts in Turkey is not worth the damage the United States and NATO have suffered because of Turkish aggression in Cyprus and subsequent intransigence; nor is it worth the extraordinary costs involved for the U.S. taxpayer.

We estimate the cost to the American taxpayer since 1974 to be over \$5 billion (and currently over \$1 billion annually) stemming from:

(a) Annual military and economic aid from July 20, 1974 to date.

(b) Interest and carrying charges on the \$5.6 billion in military and economic aid grants to Turkey since World War II, all of which is part of our current national debt.

(c) Net interest and carrying charges because of concessional soft-term loans on the \$2.5 billion presently owed to the United States by Turkey. (See National Advisory Council Reports on International Finance).

The Subcommittee should immediately stop all grant aid and concessional term aid to Turkey.

We further submit that in any event the amount of aid to Turkey should be drastically reduced from the astronomical amount of \$704.2 million. Maximum military and economic aid should be no more than \$100 to \$150 million, with specific conditions attached. Such a level would reduce substantially the irresponsible arms race between Greece and Turkey which has been fueled by the United States and West Germany. Aid to Greece would also be reduced to a 7-10 ratio of total military and economic aid to Turkey.

Our economic crisis is reason enough to reject the Administration's proposed \$115.9 million increase for Turkey as we can make better use of the dollars in the United States. There are the following additional reasons, each sufficient by itself, as is the economic crisis, to reject the Administration's proposal and to justify stopping all grant aid and all unconditional aid to Turkey.

2. TURKEY'S DE FACTO MILITARY COOPERATION WITH THE U.S.S.R. AND TURKEY'S ECONOMIC RELATIONSHIPS WITH THE U.S.S.R.

Another reason to stop the proposed \$115.9 million increase and to consider stopping all aid to Turkey is Turkey's rapprochement with the U.S.S.R. since

1960, which has developed into a close working relationship between them, militarily and economically. (See Luttwak, "The Political Uses of Sea Power," Johns Hopkins Press, 1974, pp. 60-61, attached hereto).

Turkey's rapprochement has, as a practical matter, neutralized Turkey as a reliable ally of the West. Turkey has become similar to Finland in its relationships with the U.S.S.R.

Anyone who thinks that Turkey would declare war against the U.S.S.R. if the Soviets invaded West Germany, is simply refusing to look at the facts, Turkish history and the NATO Charter. Turkey has been following its historic policy of playing off one side against the other. The NATO Charter is not self-executing. It leaves it to each member nation to take "such action as it deems necessary" in case of "an armed attack against one or more of them." (The North Atlantic Treaty, Article 5). And Article 11 states that the provisions of the Treaty shall be "carried out by the Parties in accordance with their respective constitutional processes."

The unreliability of Turkey as an ally does not rest simply on the proposition that Turkey would not enter a war against the U.S.S.R. if the Soviets attacked West Germany because no vital Turkish interest is threatened. It rests also and substantially on the economic relationships between Turkey and the Soviet Union and the fact that Turkey has aided the Soviets militarily before as well as after Turkey's illegal aggression and occupation of 40 percent of Cyprus in July-August 1974.

Let's look at the facts regarding Soviet-Turkish economic relationships and military cooperation.

(a) *Economic relationships*

Economic relations between Turkey and the Soviet Union have increased substantially over the past two decades and are of paramount importance to Turkey. The U.S.S.R. is one of Turkey's leading trading partners. Further the U.S.S.R. is a major supplier of Turkey's energy needs. In addition, Turkey is the recipient of the largest amount of Soviet foreign aid. Turkey will not jeopardize its economic relationships with the Soviet Union to satisfy the United States or NATO.

Only recently Turkey "ignored U.S. calls to curb economic ties with Moscow" by signing a major new trade agreement with the Soviet Union. As The New York Times reported (Jan. 20, 1982):

"TURKEY AND SOVIET SIGN A MAJOR TRADE PACT

"ANKARA, TURKEY, January 19 (AP).—The Turkish Government signed a major trade agreement with the Soviet Union today, ignoring United States calls to curb economic ties with Moscow.

"Turkish and Soviet officials said the agreement called for \$600 million in trade this year, a 30 percent increase over the 1980 figure. The agreement was viewed here as significant because it implied that Turkey, a member of the North Atlantic Treaty Organization, was unwilling to abide by a United States-sponsored effort to impose sanctions against Moscow because of the crackdown in Poland.

"Turkey's Foreign Minister, Ilter Turkmen, said his country 'has a special interest in its economic ties with the Soviet Union.' Under the agreement, the Soviet Union will supply Turkey with oil, ammonia, fertilizer, timber and electricity. Turkey will export vegetables, meat, textiles and leatherware."

(b) *Military cooperation*

Let us look at the public record of the de facto Turkish-Soviet military cooperation:

(1) In the October 1973 Mid-East War, before Turkey's aggression in Cyprus in July-August 1974, Turkey authorized Soviet military overflights and land convoys to Iraq and Syria while refusing the U.S. overflight rights! Turkey's rapprochement with the Soviet Union, includes a Turkey-Soviet agreement giving the Soviets unimpeded overland transit to Syria and Iraq, military and civilian overflight access across Turkish airspace, and the easy movement of Soviet naval vessels and military supplies through the Dardanelles. (See attached Luttwak quote.)

(2) The rise of the Soviet fleet in the Mediterranean has been greatly facilitated by Turkey. The Montreux Convention provides for passage of certain Soviet naval ships. Since World War II and particularly in the past 20 years, Turkey has construed the Convention in the Soviets favor. For example, the passage of the Soviet cruiser Kiev through the Dardanelles in 1976 was an obvious violation

of the Montreux Convention. NATO officials protested that passage at the time, but to no avail. In early 1978 the Kiev (which was equipped at that time with YAK-36 verticle takeoff strike fighters) served as the centerpiece of antisubmarine and antiship exercises targeted at the Sixth Fleet. (Business Week, Feb. 22, 1978.)

(3) Turkey has actively facilitated the air and sea shipment of arms by the Soviet Union to Africa (Ethiopia, Libya, Cubans in Africa, etc.). Senior NATO officials made the following charge in 1978:

[From the Washington Star, Feb. 24, 1978]

"A TURKISH ARMS 'FERRY' TO ETHIOPIA?"

"NAPLES, ITALY.—Senior NATO officials charge that the Soviet Union is pouring arms for Ethiopia through the sea and air space of NATO member Turkey.

"Adm. Harold E. Shear, commander in chief of allied forces in Southern Europe, said the Russians are hiding 'lots of material' in Soviet merchant ships that sail from the Black Sea through Turkey's Bosphorus, Sea of Marmara and Dardanelles."

(4) Clear it with Moscow! In 1979 Turkey, in one of its most insulting actions to the United States, refused the U.S. request to allow U-2 intelligence flights (for SALT II verification) over Turkish airspace stating it would have to be cleared with Moscow. This position was voiced over a period of months by Turkish officials, the opposition party and the Chief of Staff, General Kenan Evren, now the head of the Turkish military junta. (See, The Washington Post and the New York Times, April-September, 1979).

Imagine, if you would, the private cooperation including intelligence information.

The above facts are unpleasant. They have been ignored for too long by State, Defense and National Security Council officials to the detriment of U.S. national security interests.

If Britain, France, West Germany, Italy or Canada ever did any one of these things there would be a public outcry of monumental proportions.

3. TURKISH INTRANSIGENCE

The record of Turkish intransigence speaks for itself. Despite the basic lifting of the embargo in October 1975 and the lifting of the remaining partial embargo in August 1978, by the Congress on the expectation that Turkey would cooperate, Turkey has actually hardened its positions regarding Greece and Cyprus, and has continued actions which have aided the Soviet Union militarily.

U.S. policy has not worked and cannot work as long as we and others continue to give huge amounts of unconditional aid to Turkey which subsidizes Turkey's occupation of Cyprus, the Turkish military junta's non-NATO Army of the Aegean aimed against Greece, and internal police work by the Turkish Army.

Unconditional aid to Turkey has been self-defeating. If you were the Turkish military junta and you received more aid after aggression than before aggression what would you do?

The Subcommittee should amend the 2-year authorization bill, Public Law 97-113, to make continued aid to Turkey conditioned on the removal of all Turkish troops and colonists from Cyprus and the return of the refugees to their homes and properties. These and the other policy pronouncements set forth in the International Security Assistance Act of 1978, including the Wright Amendment provisions, should be made into specific conditions precedent to any aid to Turkey.

4. THE RULE OF LAW IN INTERNATIONAL AFFAIRS

Turkey's aggression in Cyprus, in addition to violating international law, the U.N. Charter and the NATO Charter, violated U.S. laws and bilateral agreements under those laws which permit use of our military aid for defensive purposes only. The Executive Branch failed to uphold the law enacted by Congress which mandated the immediate halt of military aid to Turkey. Congress after several votes and presidential vetoes enacted the specific embargo against Turkey on December 17, 1974, effective February 5, 1975. Under intense pressure

from the Administration the embargo was basically lifted in October 1975 and the remaining partial embargo lifted in August 1978.

The rule of law continues to be violated by Turkey in its aggression and continuing occupation of 40 percent of Cyprus.

The double standard applied by our government to Turkey makes a mockery of our protestations regarding Soviet aggression in Afghanistan and our policy regarding Poland.

5. HOW IMPORTANT IS TURKEY?

I disagree with those who contend Turkey is important to U.S. and Western Europe security interests. I assert that Turkey is of minimal importance, militarily and economically, to the United States, which is another reason, a very practical one, to reject the Administration's proposal.

Let's look at the facts.

The three listening posts are of minimal value. It is acknowledged they cannot substitute for the lost Iranian sites, and that most, if not all, of the intelligence gathered from the sites in Turkey is duplication and can and is being secured by satellites and other listening posts.

The Soviets have achieved their strategic access. The containment policy, whatever its value in the 1950's is irrelevant today regarding Turkey.

The Dardanelles can be mined by the United States or NATO in case of war. Turkey certainly will not close the waterway to Soviet ships.

Turkey's alleged value regarding U.S. interests in the Persian Gulf is a myth. A look at any map will show how far Turkey is from the Persian Gulf and that the U.S.S.R.'s land path to the Persian Gulf is through Iran, with Turkey being off on the side. You cannot reach the Persian Gulf by land through Turkey.

Modern warfare has made Turkey's geographic position of minimal value. Further it would be ludicrous for the United States to contemplate a land war against the Soviet Union in or from Turkey.

The Turkish Army will only defend Turkey. Its size is a drain on the Turkish economy.

Turkey has no strategic raw materials or other economic resources of value to the United States or Western Europe.

NEED TO REVIEW AND REEVALUATE UNITED STATES-TURKEY RELATIONS

The Subcommittee should undertake a full review and reevaluation of United States-Turkey relations.

Executive Branch policy in the past towards Turkey has not worked. The State Department and Defense Department hierarchy have been wrong for years on this matter and in a number of instances have misled the Congress and the American public as to the facts and issues involved. Their policy has resulted in a weakened U.S. security situation in the Eastern Mediterranean and has cost the American taxpayer billions of dollars in wasted aid to Turkey. This policy should be changed now!

Unfortunately the Presidential advisors on this issue in the State Department (Secretary Alexander Haig and Under Secretary Lawrence Eagleburger) and in the Defense Department (Under Secretary Fred Ikle) were part of the group involved in the original Kissinger blunder and violation of U.S. law in 1974. They spend time and taxpayer money trying to justify their bankrupt Turkey policy.

Hopefully Judge William Clark, the new National Security Advisor to the President, will take a fresh and independent look at the issue and the President's campaign pledge of September 26, 1980.

No matter what the Executive Branch does, the Congress has its own constitutional responsibility in the formulation of U.S. foreign policy and should on its own direct a review and reevaluation of United States-Turkey relations.

Turkey's conduct these past eight years regarding Greece and Cyprus, her rapprochement with the Soviet Union since the early 1960's, her active aid to the Soviet Union in the 1973 Mid-East War and denial of assistance to the United States, Turkey's conduct during the U.S. crisis with Iran, and her telling the United States to clear it with Moscow regarding U-2 flights over Turkey, call for a review and reevaluation of our relations with Turkey. A review and reevaluation should consider questions such as:

What is the full extent of Turkey's de facto military cooperation with the Soviet Union?

What is the full extent of Turkey's economic relationships with the U.S.S.R.?

Has Turkey basically become Finlandized?

Would U.S. interests be better served with a neutral, non-aligned Turkey? Would neutrality make it more difficult for Turkey to cooperate militarily with the Soviet Union?

How reliable is Turkey as an ally?

What is the military value of Turkey to NATO and the United States? And what are the alternatives to that value?

Are Western military secrets safe with Turkey?

Would Turkey declare war on the Soviet Union if the Soviet Union attacked West Germany? If the Soviet Union moved on the Persian Gulf through Iran?

What economic resources does Turkey have, if any, that are vital to U.S. interests?

What is the significance of Turkey's downgrading its diplomatic relations with Israel from the Ambassadorial level to the Consular level?

What is the probability of Turkey's use of U.S. arms against Greece? Against Israel?

What is the extent of human rights violations by the Turkish military junta in Turkey? What is the impact on the substantial Kurdish minority?

What is the extent of human rights violations by the Turkish military junta in Cyprus?

Our concern is with the Turkish leadership, not with the Turkish people. It is the Turkish leaders who have violated international law and bilateral agreements, and who have committed aggression, not the Turkish people.

CONCLUSION

For all the reasons mentioned above, the Subcommittee, in the interests of U.S. domestic and foreign policy, including national security considerations, should:

1. unanimously reject the Administration's unconscionable and unreasonable request to increase military and economic aid to Turkey for fiscal 1983 from \$704.2 million to \$820.1 million, a \$115.9 million increase;

2. stop all grant aid to Turkey and use the dollars instead for U.S. defense and domestic needs, including reduction of our huge federal deficit;

3. make aid to Turkey conditioned on the removal of all Turkish troops and colonists from Cyprus and the return of the refugees to their homes and properties. These and the other policies set forth in the International Security Assistance Act of 1978, including the Wright Amendment provisions, should be made into specific conditions precedent to any aid to Turkey;

4. drastically reduce the astronomical amount of \$704.2 million in aid to Turkey to, at most, \$100 to \$150 million and this amount should be subject to the conditions precedent mentioned above; and

5. undertake a full review and reevaluation of United States-Turkey relations.

Foreign aid has often been used as a crutch to avoid reality and hard decisions. Foreign aid to Turkey is a prime example. For domestic and foreign policy reasons, including our present economic crisis with its 9 percent unemployment, its astronomical federal deficits, our domestic needs, and the urgent and vital need to cut federal spending, we can no longer afford this folly.

Thank you Mr. Chairman and members of the Subcommittee.

ATTACHMENT

No longer presenting a direct threat to the integrity of Turkish national territory, and no longer demanding formal revision of the Straits navigation regime, the Soviet Union has nevertheless successfully exercised armed suasion over Turkey, even while maintaining a fairly benevolent stance, which includes significant aid flows. Faced with a sharp relative increase in Russian strategic and naval power, and eager to normalize relations with their formidable neighbor, the Turks have chosen to conciliate the Russians, and have been able to do so at little or no direct cost to themselves. It is only in respect to strategic transit that Turkey is of primary importance to the Soviet Union, and this is the area where the concessions have been made. Examples of such deflection, where the Russians are conciliated at the expense of western rather than specifically Turkish interests, include the overland traffic agreement (unimpeded Russian transit to Iraq and Syria by road), the generous Turkish interpretation of the Montreux Convention, which regulates ship movements in the Straits, and above all, the overflight permissions accorded to Russian civilian and military aircraft across Turkish air space.

The alliance relationship in NATO and with the United States no doubt retains a measure of validity in Turkish eyes, but is apparent that its supportive effect is not enough to counteract Russian suasion, especially since the coercion is latent and packaged in a benevolent, diplomatic stance.—Luttwak, "The Political Uses of Sea Power," Johns Hopkins Press, 1974, pp. 60-61.

Senator LUGAR. I thank all of you. You certainly have presented some additional viewpoints that are important and you have stated them forcefully. I suspect that one of the questions that came up with the previous panel was indeed the question of why we ought to be making changes in what we had authorized last year.

You heard the responses of each of the gentlemen. But that obviously is something that we have to determine in the full committee, as to why we are involved in these changes.

Mr. ROSSIDES. May I make an extra point on that, Mr. Chairman?

Senator LUGAR. Yes.

Mr. ROSSIDES. No one mentioned what the West Germans and the Europeans said to Turkey: No more aid. So Secretary Weinberger goes over in January and he promises more aid 2 weeks after the Congress passed the 2-year authorization bill. Are we now going to be the suckers for picking up an aid bill that the Europeans refused to give?

Maybe Secretary Weinberger should not have castigated the Turkish Government while in Turkey, but he sure did not have to give the love feast that he gave that day, which harms this Congress and which harms this country.

Senator LUGAR. Is your testimony, Mr. Rossides, that the general budgetary problems that are facing this country are such that we ought not to be increasing foreign aid, even to Greece, quite apart from aid to Turkey?

Mr. ROSSIDES. Exactly, Mr. Chairman. The aid to Turkey should be reduced and whatever aid that is given should be at a maximum of 7 to 10, and the economic aid should obviously be considered as part of the 7-to-10 ratio because economic aid is fungible—they have used that to buy arms from Britain, West Germany, and elsewhere.

Also the amount of grant aid that is involved is incredible. In this day and age we are giving \$250 million in grant aid, and now it turns out to be far more with the concessional aid. It boggles the mind when we have to sit here and we are cutting our budgets for every area, not just student aid.

Senator LUGAR. Leaving aside the ratio problem, is your testimony that if we had to make cuts, even in aid to Greece, that that would be justifiable, given the economic domestic problems of our country this year?

Mr. ROSSIDES. Absolutely, as long as there was a full cut with Turkey. As far as I am concerned, I would cut all aid to Greece and Turkey, period, until the issues of Cyprus and the Aegean are solved.

You have no southern flank. The mythology of listening to these gentlemen talk about a NATO southern flank, when you still have a Cyprus problem—Senator, you know there is no such thing as a viable southern flank. You have an Army of the Aegean. Allocated to NATO? Nonsense. It is right there on the Aegean, ready to invade.

I personally would stop all aid to both Greece and Turkey until this was settled. Symbolically, I would give \$15 million to Cyprus as authorized.

Senator LUGAR. Mr. Henze, would you buy that, the idea that we ought to terminate aid to Turkey and Greece until the Cyprus situation is resolved?

Mr. HENZE. I think it would be utterly irresponsible. It would have no relevance to the Cyprus situation, which is a totally separate issue.

I must say I am delighted to hear Mr. Rossides use the term "mythology" so often, because most of what his arguments are based on is nothing but mythology. Many of his facts are patently false. I want to deal with them specifically.

Mr. ROSSIDES. It would be a pleasure to deal with them.

Mr. HENZE. I resent being accused myself of using false information. I have used none in any fashion whatsoever. But I prefer not to comment upon them. I think they fall of their own weight.

Mr. ROSSIDES. There is not one fact that he has referred to—I have referred to a specific fact, that the Turkish Army is not all allocated to NATO, as he charged.

Mr. HENZE. I did not charge that the Turkish Army was all allocated in NATO.

Mr. ROSSIDES. You stated it in the testimony.

Mr. HENZE. I said the majority of the Turkish Army is allocated to NATO.

Mr. ROSSIDES. Now he has changed it to majority.

Mr. HENZE. And that is and has been true. In the years the Greek Army was not allocated to NATO at all, the Turkish Army remained under 90 percent allocated to NATO, and that is a good bit to have in that part of the world.

Senator LUGAR. Leaving aside that particular clash, why should we be involved in giving aid to Greece and Turkey at this point? Can you sort of review the bidding of why we ought to be involved in aid?

Mr. HENZE. I think the case is obvious to most Americans and it is certainly obvious to most people in the Government. I think my former colleagues from the Government made a credible case. My only criticism of the case they made and my only criticism of this administration is that it actually has not made a strong enough case.

The Reagan administration has made a great point of its concern for American security in the Middle East, of its concern for strengthening NATO and strengthening our NATO allies. In actuality, the aid levels that you gentlemen are discussing here today are essentially the same levels that were established 2 years ago in the Carter administration.

During my final weeks in the Carter administration I spent a good deal of my time working on establishing those aid levels. They were argued out within the Democratic Party and the Carter administration at that time established them essentially at where they are now, \$260 or \$280 million for Greece and \$400 million for Turkey.

Basically, the requests which the Reagan administration has come before you with today really do nothing more than make up for inflation in the meanwhile. Perhaps they do not even make up for inflation. So in both instances, in terms of aid for Greece and aid for Turkey, in my judgment the increases are desirable.

But as I say, do not think the increases should be in the framework of an illusory concept of balance which cannot stand the test of elementary scrutiny. If one simply examines the figures and looks at how they

were worked out over the last few years, one finds that the so-called balance has led to continuing and worsening imbalance. Under those circumstances, a fresh look at the whole question of the levels of aid and the relative purposes of aid in this part of the world I think would be eminently desirable.

I think that if the Congress is concerned, as many Members of the Congress are, in improving our security in the eastern Mediterranean and in Southwest Asia and the Persian Gulf region, that this would be very much justified.

Senator LUGAR. I thank all three of you for your help to us.

Mr. ROSSIDES. Thank you, Mr. Chairman. It has been a pleasure.

Mr. HENZE. Thank you, sir.

Senator LUGAR. This hearing is adjourned.

[Whereupon, at 3:50 p.m., the committee adjourned, to reconvene at 10 a.m., Friday, April 16, 1982.]

FISCAL YEAR 1983 AID LEVELS FOR AFRICA

FRIDAY, APRIL 16, 1982

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 4221, Dirksen Senate Office Building, Hon. Nancy L. Kassebaum presiding.

Present: Senator Kassebaum.

Senator KASSEBAUM. The hearing will come to order.

Last December Congress approved a 2-year authorization bill for foreign economic and military assistance. House and Senate conferees essentially continued the fiscal year 1982 funding levels for 1983 without adjustment for inflation. The conferees noted at that time that the 2-year bill "does not intend to preclude" additional requests for 1983.

We now have before us the administration's requests that have been submitted for fiscal year 1983. This morning we will discuss the administration's proposed assistance for the African region. The United States has important economic, political, and strategic interests in Africa. At the same time, Africa has one-third of the world's poorest countries. The gap between them and the rest of the developing world has increased in the past decade. Per capita food production is declining.

Because of rapidly growing costs of energy, manufactured goods, and food grains, non-mineral-producing African states face severe balance-of-payments and debt problems through the 1980's. On the other hand, there are many areas in Africa with food-producing potential, underutilized water resources, and substantial undeveloped mineral wealth.

Testifying this morning for the administration are Chester A. Crocker, Assistant Secretary of State for African Affairs, and Frank S. Ruddy, Assistant Administrator for Africa from the Agency for International Development. Accompanying the witnesses is Col. William Dillard, Chief of the Europe/Africa Division of the Defense Security Assistance Agency.

Gentlemen, it is a pleasure to welcome you this morning. Secretary Crocker, would you please begin.

STATEMENT OF HON. CHESTER A. CROCKER, ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS, DEPARTMENT OF STATE

Mr. CROCKER. Thank you, Madam Chairwoman. I will summarize my official statement.

This budget that we are presenting today is a vitally important tool for effecting U.S. Government goals in foreign policy. As Under Sec-

retary Buckley noted before this committee on Wednesday, the hard necessities of responding effectively to both problems and opportunities beyond our borders has forced the administration to request assistance levels above those already authorized for fiscal 1983.

Our assistance programs in Africa, as elsewhere, are designed with the recognition that political security and economic security are interdependent sides of the same coin. Africa's economic plight is well known: the worst growth rate of any continent, the only continent with declining per capita food production, and a 1981 food import bill of about \$1 billion, roughly the equivalent of our total bilateral aid program.

Africa's security concerns are real, too, and include hostile neighbors, subversion from abroad, and the political instability which generally accompanies troubled economies.

Our total proposed fiscal year 1983 African assistance program which responds to all of these needs is divided as follows: Development assistance, \$324 million; economic support funds, \$325 million; Public Law 480, title I, \$117 million; Public Law 480, title II, \$75 million; foreign military sales, \$234 million; and international military education and training, \$9 million.

The economic support fund [ESF] is the largest single component in our budget. The quick disbursement and flexibility of this type of assistance make it particularly important in promoting economic and political stability in key countries where we have security interests.

World economic conditions, coupled with the fragility of many African economies, result in critical short-term, balance-of-payments problems, which ESF can help to reduce, thus allowing economic and political stability to be built apace. Similar problems affect Sudan, Liberia, Somalia, and, to a lesser degree, Kenya.

In southern Africa we have an important commitment to assist Zimbabwe as it seeks in the early independence years to meet popular aspirations, while also encouraging a healthy mixed economy, the retention of skills, and an open political system. Our assistance to others in the region demonstrates our seriousness of purpose in promoting their political and economic security. This is especially important as we continue making progress in negotiating the interrelated issues and conflicts in Namibia and Angola.

Our new ESF program proposals are for Senegal, Niger, and Zaire. Niger and Senegal, both of which have fragile economies, are making important efforts to resist Libyan adventurism. In Niger, our \$5 million ESF proposal will provide balance-of-payments support and help for the agricultural sector, thus encouraging a sound development plan.

In Senegal, our \$10 million ESF proposal will provide the balance-of-payments support necessary to enable Senegal to respond to World Bank and IMF efforts to bring about solutions to the country's severe economic problems. In Zaire, our \$15 million ESF commodity import program is aimed at promoting private sector activity to help revitalize domestic industry.

The military assistance component of our overall program accounts for about one-quarter of the total. FMS is our principal tool for responding to the very real defense needs of a number of African countries, to whom we cannot turn a deaf ear when they ask for needed

security assistance if we would be a reliable friend and a credible partner.

Our sensitivity to the severe economic bind in which many of our actual and potential friends find themselves has prompted us to request the concessional credit which they need, and I hope the appropriations process for fiscal year 1983 will reflect the same helpful attitude shown by this committee in authorizing such terms earlier.

Our major FMS programs continue to be Kenya, Liberia, Somalia, Sudan, and Zaire. The only new program proposed in fiscal 1983 is for Zimbabwe.

International military education and training [IMET], a program which produces invaluable results for a relatively modest outlay of funds, accomplishes many goals. It not only keeps us in close touch with the military establishments in the countries concerned, but also gives us a unique opportunity to expose future military leaders to American methods, values, equipment, and our society.

We are proposing new programs in fiscal 1983 for Zambia, Guinea, and Madagascar. Our major programs remain those in Kenya, Liberia, Sudan, and Zaire.

We are not requesting funds for fiscal year 1983 for the peacekeeping force in Chad. It now appears that the peacekeeping force may be removed by the Organization of African Unity toward the end of June, and there are currently sufficient funds to cover our commitments through that period. Should further assistance be needed in Chad, whether for the peacekeeping force beyond June or to help in the economic rebuilding of that unhappy country, we will have to examine with the Congress how such requirements can be met.

In summary, the fiscal 1983 program which we have proposed serves U.S. interests in Africa and the interests of African countries searching for development and for security. A substantial portion of our aid is proposed for countries which rank among the world's poorest, but which have great economic potential and are of political and strategic importance.

The administration has made major strides to improve and intensify the American dialog and partnership with key African states. While we respond in part to humanitarian motives, these programs cannot be conceived of as charity. They are in the American national interest and they buttress American policies and goals, for example enhancing regional security in the face of destabilizing adventures, stabilizing threatened economies that could slide into heightened political instability, expanding growth possibilities in which U.S. exporters, workers, and investors will be direct beneficiaries, and enhancing the prospects for negotiated solutions to the dangerous conflicts of southern Africa.

We believe our credibility as a regional partner and world leader is dependent on the strength of our bilateral assistance efforts. Thank you.

[Mr. Crocker's prepared statement follows:]

PREPARED STATEMENT OF HON. CHESTER A. CROCKER

Madame Chairwoman, Members of the Committee, I appreciate this opportunity to discuss with you the integrated foreign assistance budget for Africa which the President has proposed for fiscal year 1983. We view our foreign assistance as vitally important since it represents the principal tool the U.S. Government has

at its disposal for effecting its goals in the foreign policy area in African countries.

Mr. Buckley has already discussed with this committee the worldwide increases the Administration is requesting above those levels already authorized by Congress for fiscal year 1983. That authorization was made without the benefit of the Administration's views, and it is to present those views as they pertain to Africa that my colleagues and I are here today.

The Administration has made major strides to improve and intensify the American dialogue and partnership with key African states. While we respond in part to humanitarian motives, these programs cannot be conceived of as charity. They are in the American national interest and they buttress American policies and goals: Enhancing regional security in the face of destabilizing adventures; strengthening threatened economies that could slide into heightened political instability; expanding growth possibilities in which U.S. exporters, workers, and investors will be direct beneficiaries; and enhancing the prospects for negotiated solutions to the dangerous conflicts of southern Africa. We believe our credibility as a regional partner and world leader is dependent on the strength of our bilateral assistance efforts. The assistance programs which we are carrying out are designed to address both economic and security goals, for we recognize that sooner or later political security and economic security are interdependent sides of the same coin.

We expect that our efforts, combined with those of other Western and multilateral donors, will achieve further progress. Clearly the process will not be quick or easy, for reasons that are well known. Africa has the worst economic growth rate of any continent. It contains two-thirds of those countries certified by the U.N. as being the very poorest. It is also the only continent with declining per capita food production. Last year Africa's food import bill alone rose by 7 percent or \$1 billion, an amount roughly equivalent to our total bilateral aid program. Many African nations are caught in the merciless squeeze of high oil prices, stagnating export production and ever mounting debt.

All too often governments have opted for economic policies which work against sustained, real economic growth. We are encouraged, however, by a growing awareness among Africans themselves that an improved economic policy climate, combined with increased trade and investment, is the real key to economic growth, and that without growth equity will remain elusive. It is our judgment that economic policy-making in a number of African nations is at a watershed, and in the balance rests our shared hopes for a brighter economic future and our interest in growing participation in African development.

I said that our African programs are not charity programs. In every case, the development and security measures which we support with our aid require resource commitments and often tough decisions by the Africans themselves. Our economic programs, funded by DA, ESF and Public Law 480, encourage and support the self-help efforts of the Africans and are designed to complement the much larger resource flows provided by multilateral institutions (chiefly the World Bank) as well as the economic stabilization programs of the IMF. Our military assistance programs, constituting less than one-quarter of our total 1983 budget, provide a credible level of response to our friends who face external threats. We recognize that security programs cost money which in a perfect world could be devoted to economic programs. Our fiscal year 1983 FMS credit request seeks to restore direct credits so that we can ease the repayment burden by offering concessional terms. We are proposing that \$210 million of our total FMS program of \$234 million be in direct credits. In Africa, as in the United States, where security needs exist they must be addressed.

Our total proposed fiscal year 1983 Africa assistance program is divided as follows:

1. DA, \$324 million;
2. ESF, \$325 million;
3. Public Law 480-I, \$117 million;
4. Public Law 480-II, \$75 million;
5. FMS, \$234 million;
6. IMET, \$9 million;
- Total: \$1.083 billion.

In the following remarks, I will address our programs under the ESF, FMS and IMET titles. Mr. Ruddy will concentrate primarily on our DA and Public Law 480 programs.

ESF

The largest component of our African assistance budget is the \$325 million in ESF. The quick disbursement and flexibility of ESF is particularly important to promote economic and political stability in key countries where the United States has security interests. In several of these countries we also have DA programs to promote basic, long term economic growth. Present world economic conditions and the fragile infrastructure of many African countries, however, result in situations like the one in Sudan which urgently requires short term balance of payments assistance if economic development and political stability are to be achieved. Liberia, Somalia and to a lesser degree Kenya all face similar problems. Our ongoing ESF programs are designed to bridge the gap between their short term needs and long term development goals.

In southern Africa we are again proposing ESF to fulfill our commitment to assist Zimbabwe as it seeks in the early independence years to meet popular aspirations while also encouraging a healthy mixed economy, the retention of skills and an open political system. Our assistance to Zambia, Botswana and in the regional program demonstrate interest in promoting the political and economic stability of the mineral rich but volatile southern African region. Moreover if we are to continue to make progress in negotiating the inter-related issues and conflicts in Namibia and Angola we need to demonstrate consistently and concretely our support for the area.

This year we are proposing three new ESF programs: Senegal, Niger and Zaïre. The two West African countries are strategically located, friendly to the United States and threatened by economic instability and Libyan adventurism. The small ESF Commodity Import Programs coupled with our other assistance are designed to assist these two nations meet these threats. Both countries have excellent records in use of economic development resources. Senegal is currently tackling some difficult but basic economic reforms to reduce subsidies, improve prices to farmers, and eliminate inefficient operations. It also plays an important regional security role through participation in peace-keeping efforts. Providing these resources will show our support of good economic management and our recognition of the special security threat posed in this region.

Our proposed \$1.5 million ESF program is small against the magnitude of the problems facing Zaïre; nevertheless, we feel that financing essential imports for the private sector is a key factor in both assisting the economy and encouraging needed structural reform. We are working closely with the IMF and other donor countries to impress on the Zairian government the need to restructure its economic policy. Direct help to the private sector reinforces that message and stimulates economic activity in depressed areas of Zaïre's economy.

SECURITY ASSISTANCE

The military assistance component of our assistance program, which accounts for roughly one-quarter of the total, is founded on both the security needs of the countries concerned and our own regional security concerns. The bulk of this assistance, with the obvious exception of the new programs, is to fund efforts already begun which were the product of careful consultations and planning both with our African interlocutors and among the executive agencies concerned. I have provided charts along with this statement which detail our fiscal year 1983 budget proposal and review the fiscal year 1981 and 1982 actual program allocations.

FMS represents our principal tool for responding to the very real defense needs of a number of African countries. You will also note as we discuss the details of these programs that they are essentially defensive in nature, and provide basic military equipment and training and some support items such as housing and communications equipment. In Africa as elsewhere the United States simply cannot be a credible partner or reliable friend if we turn a deaf ear to those who turn to us with legitimate military requirements; we cannot ignore the presence and activity in Africa of forces hostile to both our friends and to us. We are also sensitive to the severe economic bind in which many of our African friends and potential friends find themselves, and thus we are seeking to the greatest degree possible concessional terms for the FMS funds we are requesting. We appreciate the efforts of this committee in passing legislation in fiscal year 1982 which authorized concessional credit. I strongly urge the Committee to authorize additional concessional terms for 1983 in order to bring consistency to our development and security assistance efforts.

Our major FMS programs continue to be Kenya, Liberia, Somalia, Sudan, and Zaire. The only new program for fiscal year 1983 is in Zimbabwe.

For Kenya, we are requesting \$28 million in ESF, \$35 million in FMS direct credits, and \$1.5 million in IMET. These levels are programmatic and if approved will allow Kenya to continue programs already begun and perhaps begin needed logistic and communications programs. Kenya continues to be among our strongest friends in sub-Saharan Africa and one of our most consistent political allies. With the exception of ESF there are no significant changes here from our fiscal year 1982 allocations.

For Liberia, we are requesting \$32 million in ESF, \$15 million in FMS direct credits, and \$800,000 in IMET. These levels reflect continuations of programs already begun. The FMS program consists primarily of the military housing project, which addresses the kind of problems which helped spark the military takeover in 1980. The remainder of FMS and IMET provide basic equipment and training for the Liberian Armed Forces. We need to continue our assistance levels in order to help promote stability and encourage continued progress and reform.

We have come a long way in our relationship with Somalia and we are now seeing some positive results of the patience shown on both sides and of our willingness to provide assistance. Our request for fiscal year 1983 is much the same as our fiscal year 1982 allocation. We are requesting \$25 million in ESF, \$30 million in FMS direct credits, and \$550,000 in IMET. The FMS credits will be used to complete programs already begun, primarily early warning radar, ground transportation and communications.

Sudan continues to be our largest program. Strategically located as a bridge between the Middle East and Africa, and between the Horn of Africa and Libya, Sudan is experiencing extremely severe economic problems. These problems will continue, but we hope they will be less severe than they are at this moment. We are requesting \$100 million in FMS direct credits and \$1.5 million in IMET. Although these are, objectively speaking, large numbers, they nevertheless will only allow the Sudanese to continue the programs begun in 1982. These programs will include rounding out the tank program, adding to the F-5 program, beginning the early warning radar program and adding equipment to the combat engineer, communications, and transportation programs. The Sudanese also hope to begin a modest Naval modernization program in 1983.

In Zaire, as in other countries, we have based our military assistance levels on continuation of ongoing programs. The FMS credits will go toward supporting the C-130 and ground vehicle programs, and towards modernization of some of the ground force units. We are also working on logistics and communication improvements. We will continue to use both technical assistance and mobile training teams to the fullest. Our efforts in Zaire are aimed at preventing disorganization of the Armed Forces and destabilization in the Shaba region. Our efforts parallel those of the French and Belgians in the military assistance field. Without the modest increase proposed we cannot expect to be successful in our effort to strengthen the capacity for self-defense of this critically located and vast African nation.

Our only new FMS program is for Zimbabwe where we are proposing a modest program of \$3M in FMS credits. Our overall commitment to Zimbabwe's total development, which I cited earlier, compels us to look favorably on appropriate requests for non-lethal military assistance. We anticipate that Zimbabwe will wish to use those credits for ground transportation, uniforms, boots, and some communications equipment. We are continuing our IMET program and are proposing \$150,000 for Zimbabwe in 1983.

IMET is a program which produces invaluable results for an extremely modest outlay of funds. We are requesting just under \$9M for a program which not only keeps us in close touch with the military establishments of the countries concerned, but also gives us a unique opportunity to expose the future leaders of those establishments to American methods, values, equipment, and society, and thus gain from the beneficial aspects inherent in any cross-cultural exchange. Our proposed new programs for the IMET budget are Zambia, Guinea and Madagascar. The largest programs are proposed for Kenya, Liberia, Sudan and Zaire.

We are not requesting any funds in this budget for the Peace-Keeping Force in Chad. As you may know, a recent OAU special meeting on Chad held in Nairobi resulted in a decision to withdraw the PKF at the end of June. Nevertheless, it is possible that the PKF could be needed beyond June to help protect a political reconciliation process. The OAU is planning a request to the U.N. for

voluntary contributions to the PKF. Should further U.S. help be needed, we will have to examine with the Congress how such requirements can be met.

Madame Chairwoman, I know that many critics of the Administration have the perception that the U.S. Government is somehow shifting its foreign assistance emphasis from the developmental field to the military field, that we are actively seeking to become the major arms supplier in Africa. That is very far from the truth. The U.S. has no such ambition. We account for no more than about 4 percent of African arms imports, while the U.S.S.R. accounts for approximately 60 percent. Although Mr. Ruddy has not yet discussed developmental assistance with the committee, the figures I mentioned at the beginning of this statement should give you a very clear idea of the relationship within the African budget of economic assistance to military assistance: the ratio is about three to one. I believe a better characterization of what distinguishes our 1983 program from some of its recent predecessors and what differentiates this Administration's approach to the broader foreign assistance policy we must take is that the U.S. Government is now actively seeking to be a reliable partner, a sympathetic and helpful friend who no longer looks askance at the very real security requirements of friends in need, and a realistic world power capable of evaluating threats to its friends and to itself. We are also, I believe, readier to be responsive to foreign policy opportunities, and to do so with all the instruments at our disposal, including security assistance which in the recent past was seen to be "off limits" for reasons founded more in a misreading of history than in a realistic appraisal of U.S. interests. This Administration has launched important initiatives and sought to strengthen key partnerships in Africa—a region of growing importance in global politics. We are conducting an active African policy that takes into account the full range of regional and global factors that impinge upon Africa and our interests there. To do less would be to discourage our friends or to force them to turn to sources of help that would be destabilizing and against our interests in a peaceful continent. To do less would be a signal that this country has not yet grasped the extent of its interests in this region and is prepared to ignore its challenges and opportunities, its needs and potential.

Madame Chairwoman, I would be happy at this time to discuss these programs in more detail.

U.S. ASSISTANCE TO AFRICA
[In millions of dollars]

Country	Development assistance			Economic support funds			Public Law 480 Title I/II			Public Law 480 Title II			Foreign military sales (FMS)			International military and training (IMET) ^a			Total assistance ²		
	1981	1982	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983
Sahel program:																					
Cape Verde	3.0	3.5	2.2				3.0	1.5	0.8										5.0	5.0	3.0
Chad	5.6	4.4	5.1				1.3	1.3	.9										6.9	5.7	6.0
The Gambia	14.5	9.7	9.7																14.6	9.8	9.8
Mali	18.5	6.6	6.8				6.2	4.2	4.2							0.109	.075	.125	6.9	5.7	6.0
Mauritania	13.7	13.4	15.7				1.4	2.1	1.1							.027	.030	.05	14.7	10.8	11.1
Niger	14.8	16.5	16.9				1.6	2.1	1.1							.030	.030	.05	17.6	17.9	26.3
Senegal	14.1	13.1	9.8				11.6	6.4	8.9							.210	.375	.45	33.7	32.2	49.3
Upper Volta	21.4	29.1	27.6				15.1	9.4	7.7							.246	.300	.45	29.3	22.6	17.6
Sahel Regional																.074	.075	.135	29.3	22.6	17.6
Southern Africa program:																					
Angola																			21.4	29.1	27.6
Botswana				10.8	10.0	10.0	3.8	.4	.4										38	.4	.4
Lesotho	10.5	10.2	10.8				5.4	1.1	1.1							.022	.070	.125	16.7	11.7	16.2
Malawi	6.0	6.5	7.0				13.2	7.5	8.8										23.7	17.7	19.6
Mozambique				2.4			7.7	1.1	.6							.021	.040	.06	9.1	7.6	7.7
Swaziland	9.7	7.2	6.5				3.9	.5	.6										3.9	3.9	6
Zambia							3.6	1.1	.7										10.3	8.3	7.2
Zimbabwe				20.6	20.0	20.0	2.8												10.3	8.3	7.2
Other:				25.0	75.0	75.0													150	33.4	27.1
So. At. Regional				17.0	19.7	27.0													150	29.0	75.1
Benin	4.7																		17.0	22.7	30.0
Burundi	3.25	3.7	5.6				1.8	.8	.5										6.5	.3	.5
Cameroon	7.8	12.9	17.0				2.9	2.4	2.4										.03	6.2	6.1
C.A.R.							2.4	1.5	1.0							.050	.150	.150	14.7	16.0	28.1
Comoros		1.0	1.0				.4	.2	.4										.4	1.2	1.0
Congo	2.0	1.0	2.0				.3	.3	.3										.3	.3	.3
							.3	.3	.3										.030	2.3	1.3

Senator KASSEBAUM. Thank you, Secretary Crocker.
Mr. Ruddy?

**STATEMENT OF FRANK S. RUDDY, ASSISTANT ADMINISTRATOR
FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT**

Mr. RUDDY. Thank you, Madam Chairwoman.

I wish to thank the committee for the opportunity to discuss the content and rationale of our aid programs in Africa. With your permission, I will submit a short statement for the record on how we in AID can effectively relate to Africa.

Africa is in serious trouble. The price of oil over the last decade has increased 10 times. The world market for many raw materials and other exports has dried up, at least temporarily. Per capita food production in sub-Saharan Africa is less than 80 percent of what it was in the period 1961 through 1965. Food imports have quadrupled since 1970.

Balance of payment crises are more frequent. Eighteen sub-Saharan African countries have applied for debt rescheduling this year. In many countries, roads, railroads, bridges, harbor facilities, utilities, and things of that nature are deteriorating and governments are not able to sustain the activities and social services to which they have committed themselves.

Industrial production is stagnant in most countries. Investment lags. The private sector is starved for foreign exchange and capital, and in many countries parastatals are floundering.

In addition, war and civil strife have taken a heavy toll, not only in those countries which are directly affected, but also on their neighbors who must absorb refugees.

AID has responded to these realities by shifting the emphasis of our programs to stress policy reform, institutional development, private sector activity and agricultural production. Because of the urgency of the economic problem in many African countries, we are also requiring certain of our missions to defend rigorously their submissions for projects on the basis of their economic productivity in the foreseeable future. This emphasis will tend to lessen the burden on governments by promoting the expansion of the productive base of the national economies, which is essential if development projects are to be successfully absorbed.

The picture, however, is not all bleak. The need for reform has not escaped many African leaders. It is also important to recall that some countries have managed their adjustment to the external economic climate with prudent policies.

The IMF and World Bank have induced reform in governments by the terms on which new loans and Extended Fund Facility drawing rights are granted. Bilateral donors are more aware of the need for closer donor cooperation and for a rethinking of the forms of assistance to be rendered in Africa.

These changes in attitude on the part of both donors and recipients are an encouraging response to the events unfolding in sub-Saharan Africa, and reflect the judgment that major elements of African development can only be determined by African governments, not donors. For instance, agricultural pricing, policy on parastatals, credit

policy, foreign exchange policy, and budget policy, to name a few, are all domestic issues to be resolved by governments in response to their individual needs. Unless these national policies permit development, the contribution of donors is simply an expensive form of temporizing.

This is not a task that will be completed in a year or two, but we can make an important beginning by encouraging a dialog in many countries.

Policy reform and institution building are important to development, more important in the long run than the provision of resources, and that is why we have placed our emphasis there, with particular emphasis on the agricultural sector. This has to be accomplished in close coordination with the IMF and the World Bank.

I would like to add just a few words about the private sector. Our primary emphasis in Africa is development, and one means to that end is the private sector. In most African countries that means the indigenous private sector. By the private sector we mean simply a non-governmental means of providing goods and services.

To our knowledge, that is often the most cost-effective way to create jobs and enhance efficiency. We will also support the international private sector to the extent that African development requires it, because we are acutely aware that it is the repository of the capital, management skills and technology essential for modern economies. Official development assistance is a complement, but not a substitute for these resources.

To sum up, Africa in the past decade has been particularly afflicted by the drop in prices for minerals and certain raw materials, increased oil prices, global inflation, and recession. These forces amplified policy and administrative deficiencies and in some cases caused problems to become crises. In the process, both donors and recipients have seen the need to rethink their policies.

It is that process which has reformed our thinking as well in the development of our current AID policies.

Thank you very much.

[Mr. Ruddy's prepared statement follows:]

PREPARED STATEMENT OF FRANK S. RUDDY

FISCAL YEAR 1983 REQUEST

I thank you for the opportunity to discuss AID's fiscal year 1983 economic assistance request for Africa and to respond to the Committee's questions.

For fiscal year 1983 the Africa Bureau is requesting a total of \$648.4 million, a 7.0 percent increase over the fiscal year 1982 level. The Development Assistance request of \$323.4 million is 1.8 percent below the fiscal year 1982 level. The fiscal year 1983 request for ESF is 17.3 percent higher than fiscal year 1982.

The \$323.4 million in Development Assistance for fiscal year 1983 will concentrate on the following areas: \$142 million for agriculture and rural development activities; \$32.4 million for health activities; \$30 million for education and human resources development programs; \$20 million to address selected development problems; and \$5 million for population planning. The \$5 million figure does not include \$2 million for population activities in the Sahel Development Program and an estimated \$17 million from central bureau funding. The Sahel Development Program, which is a separate functional account and for which \$93.8 million is requested, focuses on food production, environmental reclamation, health, population and related training. In addition to Development Assistance, \$325 million in Economic Support Funds is requested primarily for programs in Southern Africa and the Horn. \$191.7 million in Public Law 480 assistance is requested, including \$43 million in Title III. The fiscal year 1983 request, if appropriated, will be used to address a series of economic and social problems in Africa.

OVERVIEW OF TRENDS IN AFRICA

Over the last decade trends have materialized in sub-Saharan Africa which suggest that economic development of the region is becoming more difficult and more urgent. After moderate but steady growth and development in the 1960's and early 1970's, the economic performance of Africa has seriously declined, and projections for the 1980's are not bright. At present, average annual growth in per capita GNP is projected between 1.0 percent and negative 0.1 percent between 1980 and 1990.

The downturn in African economic performance is taking place against a background of population growth, relatively slow rates of technological change, and the fact that in many areas the limit of cultivation have been reached.

Sub-Saharan Africa's population in 1980 was approximately 353 million. While Africa's population is estimated to be growing at an average annual rate of about 2.8 percent, food production has not kept pace. This is a dangerous imbalance.

Agriculture is the predominant economic activity in Africa. Throughout the decade of the 1970's, the average annual per capita growth rate was minus 1.4 percent for all crops. Per capita production of food was minus 1.2 percent. The decline in African per capita food production has been chronic since the early 1960's. Overall production increases, such as they have been, were attained almost exclusively by expanding the areas under cultivation. Food yields per hectare in Africa have been stagnant and at a much lower level than other regions.

POTENTIAL AND PROGRESS IN AFRICA

Notwithstanding the recent trends in sub-Saharan Africa, the region has substantial long-term economic promise. Africa has the potential for increasing annual production of cereals by 16 million metric tons from rainfed land and by 9 million metric tons from irrigated land, for an annual production increase of 25 million metric tons. This compares to a total production of 42 million metric tons in the period 1977-79. The potential average annual increase in livestock products is estimated at 1.04 million metric tons.

Sub-Saharan Africa has nine major river basins running through several countries in the Sahel, Central and Southern Africa. Irrigation potential can be compared to the American West. The basins offer the possibility of putting some 14 million hectares under irrigation. Africa is estimated to have over one-third of the world's potential hydropower resources. Energy from hydropower is one of Africa's greatest underutilized resources. The natural highways which are formed by the rivers can serve as low-energy alternatives for moving agricultural products to markets and supplies to producers.

The Sahel region alone could put 2 to 6 million hectares under irrigation, and about 1.8 million of that could be under irrigation by the year 2000. This alone would mean a 50-percent increase in food produced. Significant production increases could be achieved through intensification of dry land production, application of different farm technologies and opening of new lands through onchocerciasis and other disease control programs.

While distribution among countries is very uneven, Africa is a major producer of minerals such as copper, cobalt, chrome, and uranium. There has also been a steady increase in the number of oil deposits located, particularly in coastal waters. Only a small portion of the land has been surveyed in detail and the potential is believed far greater than current production levels would suggest.

With respect to progress, Africa's absorptive capacity has been rapidly enlarging. Today an estimated 60 percent of all school age children are in primary schools. Since mid-1960 annual secondary and higher education enrollment have increased by 9.8 percent and 11.1 percent respectively. Conditions are being created which will increase Africa's ability to use its greatest resource, its population.

In the area of food production, new hybrid cereals varieties have been developed, seed multiplication activities replicated and agriculture research activities initiated. A number of African countries are beginning to re-examine food pricing, parastatal and other policies affecting food and agriculture production. As a result of a joint assessment in Senegal, a declaration was issued calling for the abolishment of two major parastatals, reorganizing rural development agencies and promoting private cooperatives. The government also plans to undertake new pricing policies and revamp the farm credit system. In Somalia parastatals are being disbanded. Private voluntary organizations are continuing to play a significant role, especially at the grass roots level, in the implementation of A.D.-funded activities. Under a rural enterprise development project in Upper Volta,

business practices of 80 entrepreneurs have been upgraded; loans granted to 120 entrepreneurs, and a demonstration farm established, introducing new technology such as hand mills, peanut presses and other implements.

DESCRIPTION OF THE FISCAL YEAR 1983 PROGRAM

The fiscal year 1983 request concentrates the Agency's efforts on a small number of key interrelated problems facing the African continent. AID assistance will continue to stress the production aspects of agriculture with particular emphasis on small holders. In that context, special emphasis will be placed on institutional development, policy reform, and building and supporting the private sector wherever appropriate.

PRIVATE SECTOR ACTIVITY

AID is placing special emphasis on support of the private sector of African economies, particularly for indigenous small and medium size enterprises. We are now reviewing projects to assure that wherever appropriate the private sector is used and supported. For example, in Sudan approximately two-thirds of the foreign exchange associated with our CIP program will be reserved for imports for the private sector to assure that it will be able to update its plant and equipment and operate efficiently. We are also actively developing projects to be funded out of the counterpart funds which will be designed to promote and assist small and medium size entrepreneurs. Wherever possible we will, in association with AID's Private Enterprise Bureau, be alert to opportunities for the U.S. private sector to participate in African development activities.

We believe that support of the private sector is an efficient way to expand employment and productivity. Moreover, maximizing use of the private sector will lessen the burden of already overextended governments.

We expect PVO grants of approximately \$31 million in Africa in fiscal year 1983. This includes \$25 million from DA and \$6 million from ESF funds. We believe that AID/PVO cooperation is an effective means for enhancing the impact and effectiveness of our efforts.

AGRICULTURE

AID will seek to promote technical changes which will increase agricultural productivity, lessen peak-season labor problems and reduce agriculture losses. For example, AID is emphasizing institution building in agricultural research and extension to achieve technical changes and to establish the capability of African countries to sustain the effort. Manpower development is being pursued as a means to promote institution building and to help increase agricultural productivity across the entire sector.

To improve efficiency in the employment of both AID and host country resources, AID has placed an increased emphasis on host country economic policies. This effort is being implemented at two levels. At the macro-economic level AID seeks to insure that its country programs are consistent with the intent of International Monetary Fund and/or World Bank reform agreements with host countries. Where possible AID measures will actively reinforce host countries' efforts to comply with these agreements. At the sector level AID will seek to collaborate with host countries on devising ways to improve specific policies. AID is especially interested in obtaining adjustments in host countries which will increase the influence of market forces in the determination of agriculture prices, liberalize marketing arrangements and expand the role of the African private sector in agriculture-related activities. Private enterprise activities such as a new agribusiness development project in Kenya, along with ongoing activities on the manufacture of farm implements in Uganda and Niger, as well as training, are proposed for funding in fiscal year 1983.

HEALTH

The goal of the Africa Bureau health sector development program is to assist the countries of the region to address their health problems on a national and regional basis. Health programs are supported for the most part in four general categories:

Primary health care

These multi-disciplinary projects provide support for systems of health services for rural communities. Projects usually consist of training village health workers and their supervisors and providing logistic support. Seven basic services are recommended for primary health care systems. \$13.9 million is proposed.

Health planning, management and manpower development

Training and technical assistance are provided to countries and regional organizations to develop national capabilities to manage national primary health care programs. Bilateral, regional and multilateral projects address Africa's main constraint to health development—lack of health manpower. \$2.3 million is proposed in the category.

Water and sanitation

Support is provided for developing safe water sources in rural communities, and maintaining environmental safeguards. Education of communities is an important aspect of these projects. \$4.7 million is proposed.

Endemic disease control

Bilateral, regional, and multilateral projects address the tropical disease problems of vast geographic areas. Diseases such as malaria, schistosomiasis, onchocerciasis, and trypanosomiasis are endemic in most of Africa. Programs include surveillance, sector control, treatment, chemo-prophylaxis, and immunizations. A budget of \$10 million is proposed.

POPULATION PROGRAM

In Africa, progress in the population sector has been slow. The population issue in Africa has to be approached with great care and sensitivity. It must be carefully integrated with the provision of health services, with the opportunities for improvement in income and in general economic growth and employment opportunities. Otherwise it will be distorted and backfire on efforts to establish programs. This is nothing new, as Haven North noted last spring, when he was Acting Assistant Administrator, and as others of my predecessors have noted before him. The implementation of a family planning program is a slow and difficult process: partly it is a matter of organization relating to establishing the system for delivery of health services in conjunction with family planning; partly it is institutional and, a lot is attitudinal. It is a matter of people understanding the relationships between population growth and economic problems. What people understand and want is important because AID cannot condition assistance to acceptance of population programs. AID policy recognizes the voluntary nature of population assistance and respects the free choice of LDCs to receive or refuse family planning assistance.

Seven sub-Saharan African nations (Botswana, Ghana, Kenya, Mauritius, Rwanda, Senegal, Uganda) have declared national population policies. Several others, including Nigeria and Sudan, have recently established national population councils. 23 countries in the region now provide family planning services in government clinics.

We are requesting a budget of \$5.11 million for fiscal year 1983.

ENERGY AND THE ENVIRONMENT

AID must continue to address the high cost and increasing scarcity of energy resources, deforestation and ecologically unsound agriculture and livestock practices if Africa's productive capability is to be preserved and expanded. AID will support afforestation, range and soil conservation efforts. These activities will be designed as integrated components of agriculture production systems. In Mali, Senegal, and Burundi projects will focus on fuelwood renewable energy technology.

EDUCATION AND HUMAN RESOURCE DEVELOPMENT

In fiscal year 1983 AID will help expand Africa's human resources capacity. Attention will be devoted to: (1) development administration and technical skills training, as pre-conditions to institutional development and the transfer of technology; (2) strengthening indigenous private voluntary organizations (PVOs) and the commercial private sector by helping them develop manage-

ment and entrepreneurial skills, and (3) expanding training opportunities in the United States through the Africa Manpower Development Project.

An example of technical skills training and development administration is the Agricultural Education Project in the Cameroon, which will create an agricultural university capable of training managers, researchers, planners and teachers who can effectively staff the agricultural support institutions of Cameroon.

SAHEL DEVELOPMENT PROGRAM

The Sahel Development Program was initiated in fiscal year 1978 as a regional effort through which eight African countries cooperate with western donors and oil producing countries of the Middle East (OPEC). Led by the United States and France under the Club du Sahel, 20 bilateral donors are now active contributors to a range of programs and projects to help the Sahel countries become self-sufficient in food and to construct economic infrastructures which will assure sustained economic growth and a better and more secure life for their people. Donor assistance has increased from \$1.1 billion in 1976 to \$1.5 billion in 1980.

Twenty years from now, the Sahel can be feeding itself. Our long-term economic objective is to assist the countries in the Sahel region to increase agricultural production to levels where basic food imports will not be necessary. Sound economies in the region will contribute to the stability of the countries and provide opportunities for U.S. investments as well as access to mineral resources such as uranium (Niger), phosphates (Upper Volta), iron (Mauritania), bauxite (Mali).

As a result of a development strategy agreed to by the donors and recipient countries, progress is being made. Agricultural research programs have been expanded and strengthened, extension services are reaching the farmer, new agricultural technologies are being introduced, range management and animal health improvements are being applied. The agriculture policy picture is starting to improve. In Senegal and Mali, cereal marketing through the private sector is now being encouraged. The governments of Senegal, Niger, Mali and Upper Volta are adjusting cereal pricing policies to provide more incentives to the farmer for both production and marketing.

In the fiscal year 1983 program AID will continue to support the Sahel development strategy and direct resources to the agricultural sector, and particularly toward rainfed agriculture which constitutes the mainstay of Sahelian agriculture. AID is providing technical assistance and key inputs to assist in developing Sahelian agriculture capacity.

AID is also supporting long range strategies to develop water resources in the Senegal and Gambia river basins. AID is supporting other donor efforts through its regional program which concentrates on institutional development and basins planning, and through the development of small scale irrigated perimeters which have an impact in the individual countries. Of the \$93.8 million request in fiscal year 1983, \$27.6 million will be allotted to regional programs directly benefiting the individual countries in the basin area. The balance will be allotted to seven countries in the region under bilateral programs.

Our assistance to Chad has been limited to relief and rehabilitation together with other donors. The civil war has brought extensive damage to Chad's economy. Nevertheless we propose to continue monitoring the situation, looking for improvements before undertaking any extensive or long term development projects.

Sahelian problems with financial management of AID funds continue to be a matter of serious concern. Steps have been taken to correct serious deficiencies in the accounting and management systems. Host country documents are being verified and accounting systems have been examined to determine their adequacy for certification by AID officials as a precondition to disbursement of funds. To correct the deficiencies, training programs, workshops and teams have been developed to improve the financial management of the local institutions concerned with the Sahel programs and projects. Donor and recipient countries have acknowledged the seriousness of the problem and collaborative efforts are underway to assure efficient use of funds and accurate accountability.

THE ECONOMIC SUPPORT FUND PROGRAM (ESF)

The fiscal year 1983 request for \$325 million is intended to provide the United States with the resources necessary to stem the spread of further economic and political disruption and to support the efforts of friends and allies to deal with

threats to security and independence. Economic Support Funds totalling \$325 million are requested for Sudan, Somalia, Kenya, Mauritius, Seychelles, Djibouti, Zimbabwe, Zambia, Botswana, the Southern Africa Regional Program, Liberia, Niger, Senegal and Zaïre.

These countries are currently experiencing a broad range of economic and political problems, such as balance of payments and budgetary deficits, external debt burdens, deteriorating terms of trade and declining output, and the threat of political instability.

While these funds have political and security as well as developmental objectives, AID makes every effort to maximize their developmental impact. For instance, in Zambia and Kenya our Commodities Import Program is targeted on agricultural inputs; in Zimbabwe 80 percent of the CIP is reserved for the private sector, with local currencies expenditure supporting development in the traditional areas. We believe that ESF funds are a particular versatile development instrument when used as program assistance in support of policy reform.

PUBLIC LAW 480

The fiscal year 1983 program request for Public Law 480 is \$191.7 million of which \$117 million will be allocated to the Title I category. Within Title I, \$43 million will be directed to Title III. The \$74.7 million balance of the request will be devoted to Title II.

By legislation, Public Law 480 embodies several objectives, among them the economic and social development of Public Law 480 recipient countries. The Africa Bureau is committed to fostering sustained development as the objective of its assistance through Public Law 480 food resources. Specifically, the Africa Bureau seeks to utilize Public Law 480 resources (sales revenues and/or commodities) to address and alleviate the underlying causes of the need for food assistance, particularly in the agricultural and rural sectors. The Administrator has instructed our field missions to enhance the effectiveness of Public Law 480 food aid by: (a) seeking policy dialogue with host governments on ways to alleviate the constraints to improved food security; and (b) increasing the degree of integration of Public Law 480 programs within the total AID development assistance program.

Self-help measures, under Title I use of local currency sales revenues, and policy dialogue, or integration with other forms of non-food assistance are intended to enhance the development impact of Title I. The Title III program will be continued in Sudan and Senegal and a new program may be initiated in Somalia.

Title II grant commodities have been traditionally channeled into direct food distribution programs through maternal-child health centers, school feeding programs and Food for Work projects, all of which are administered by U.S. registered private voluntary organizations or by the World Food Program. Similarly under Title II Section 206, we are undertaking programs for food for development in Cape Verde, Mauritania and Upper Volta.

OTHER DONOR COORDINATION

Donor coordination deserves special emphasis at this time. The serious problems faced by many African countries can only be met by integrated projects and programs. Moreover, as certain governments find themselves less and less capable of meeting the recurrent costs associated with various projects, project and program planning requires an assessment of total donor activities as well as those of individual donors.

The extent of the problem is illustrated by the fact that although the United States is a major aid contributor in Africa, our assistance accounts for only 7 percent of total Official Development Assistance. There are no less than 52 bilateral donors in Sub-Saharan Africa; the 17 member Development Advisory Council (DAC) of the OECD, 7 Arab/OPEC, 9 Arab multilateral, 12 other multilateral, and 7 East Bloc. In addition, there were 34 American PVOs associated with AID alone in fiscal year 1981. Each of these donors has its own policies, procedures and programs.

AID is promoting greater cooperation among donors in several ways by encouraging ongoing cooperative efforts in such donor groups as CDA (Cooperation for Development in Africa, formerly CADA) and the Sahel program, and through cooperative efforts with African groups such as ECOWAS and SADCC.

We are also seeking opportunities for cofinancing with other donors, both bilateral and multilateral. Thank you.

Senator KASSEBAUM. Thank you very much. As a member of the Budget Committee and as the chairman of the African Affairs Subcommittee, my interests are somewhat torn and joined on this issue. But I think it is very important for us to have a clear understanding of the importance and justification of the requested increases.

I would like to start with some general questions before going to specific country issues. One would be, what do you feel can be accomplished with the additional increases for the 1983 supplemental that could not be with the current funding level, Secretary Crocker?

Mr. CROCKER. Madam Chairwoman, I think the answer should logically fall into several categories, some of which were touched upon in my opening remarks, as well as those of Mr. Ruddy. I would underscore a point that he was just making, which is that we believe economic decisionmaking in Africa is at a crossroads.

The environment, the climate for considering major policy reform in the direction of enhancing the possibilities for the local private sector, as well as foreign private investment, has seldom been better. Therefore, what we are seeking to do in part through these requested increases is to be able in several specific cases, such as Senegal, Zaire, Liberia, and Sudan, to strengthen the private sector possibilities. That accounts in part for some of the increases.

The major increase in the overall figures for Africa reflects our strong belief that we must seek a significant increase in the amount of concessionality in FMS going to key African recipients of FMS credits. That accounts for the bulk of the actual increase. If you look at simply quantitative totals on FMS, we are not seeking a substantial increase at all. We are seeking a qualitative change in the level of concessionality. That is where a good deal of the increase is.

Senator KASSEBAUM. Following up on that, there are increases in ESF versus development aid. Perhaps you could address why there has been a shift and your reason for believing that it is important at this time. I would address this to anyone who wishes to respond.

Mr. RUDDY. The problem we have and the reason the increase in ESF is justified I think is along the argument of, for want of a nail the horseshoe was lost, for want of a horseshoe the horse was lost, for want of a horse the rider was lost, et cetera.

Apart from the basic security justifications, there is an underlying problem in Africa, the serious deterioration of African economies. More and more African countries are facing foreign exchange and budget crises. More and more they are turning to the IMF to help them out with stabilization programs. The balance of payments crises are creating political instability, which obviously is of concern to us.

However, from our development perspective these crises are undermining the foundations which are required for long-term development projects, which we fund under DA. Inflation, foreign exchange shortages, et cetera, are impeding our progress, and in the most severe situations, for example Ghana, causing us to terminate projects.

So from our point of view, and without putting words into Secretary Crocker's mouth, our first requirement is to help countries establish sound economic conditions which are foundations for develop-

ment. That is what we are trying to do in Sudan, Liberia, Zaire, Senegal, and Niger.

So even without the political justification, which we think certainly is sound, we would support the same kinds of ESF funds to help with economic stabilization in order to lay a foundation for development assistance.

Senator KASSEBAUM. So you would be supportive of increasing the ESF while development aid has been decreased?

Mr. RUDDY. Yes, I would.

Senator KASSEBAUM. As we know, for instance, the World Bank issued a report calling for a doubling of economic aid. Certainly the IMF also has issued signals and warnings of the deteriorating economic situation.

But I wonder, with regard to the increase in military and the increase in development aid, how do you believe proportionately that is important?

Mr. RUDDY. On the question of military aid, if I may, I will defer to Secretary Crocker.

Mr. CROCKER. Senator, there have been many discussions of our foreign assistance programs which have included a misinterpretation, if I could put it that way, of what economic support funds are. The ESF funds that we have requested for fiscal 1983 are, in fact, for development. They are not spent on arms, boots, tents, or guns.

I think it is important that the American people know that. Economic support funds are a form of development assistance. I think Mr. Ruddy can go further in pointing out specific cases of that. That has actually increased. It is the development assistance account, as we call it, which is flat.

As far as FMS is concerned, I think there are several points that need to be made. First of all, these are in many cases multivear programs for which planning started several years ago, but for which the concessionality that we requested was not authorized or approved by Congress, and hence we are coming back asking for a level of concessionality which would make it possible to pursue those programs.

Without the concessionality in many cases, as you know, the African countries involved cannot afford the credit, the interest rates, and so they simply cannot go forward with the programs.

A second point I would make is, regrettable though it is, some of these military items simply are expensive. It costs \$13 to \$15 million to buy one C-130, if I am not mistaken, and that is just the initial cost, let alone spares, training and everything else. So while it may look like a lot of numbers on paper, it doesn't buy very much, and we are reluctant to deny requests for that reason.

A third point I think needs to be made. The United States has no ambition to become Africa's primary arms merchant. I think it is useful for all of us to reflect on the fact that we account for no more than 4 percent of African arms imports, while the Soviet Union accounts for 60 percent of African arms imports.

We are not seeking to raise those figures on our side. But the reality is that we in fact have a very modest share of the African arms market.

Senator KASSEBAUM. I would like to explore a bit further the relationship between the ESF and developmental aid. To what extent do

you believe that ESF is important in meeting the objective goals of developmental assistance?

Mr. RUDDY. Essentially, Madam Chairman, we have three forms of ESF funding in Africa. The first although it is ESF, basically operates under development assistance type projects, in places like Botswana and Zambia.

We also have something called commodity import programs in the Sudan, Somalia, Kenya, Zaire, and Senegal; and in Liberia we have cash grants. In Botswana and Zambia, the ESF funds are handled essentially like our regular development projects. Under the commodity import programs, we establish in the agreement a list of commodities that are eligible and then approve each transaction.

In the case of Liberia, payment is made directly to an American bank. We have joint approval over the disbursal of Liberian dollars deposited in the national bank.

In addition, under those programs funded by ESF which generate counterpart funds, the local funds that are generated thereby are used for development purposes. So I think Assistant Secretary Crocker is right when he says that, regardless of what you call it, the ESF funds in Africa are used for development purposes.

Senator KASSEBAUM. In a general way, let me say that many of the complaints I have heard about our economic assistance is that it is so uncertain in the planning. I would like to ask you what your thoughts are on a 2-year authorization, if you believe that works satisfactorily or could it or should it be changed.

Is there any way in which there can be a longer range presentation of goals and work on funding with a better ability to plan and structure? I am sure it would be of benefit to the nations who are trying to develop their own budget and assess their needs.

Mr. CROCKER. If I could say just one word, I think Mr. Ruddy has more expertise in this area than I do in terms of development planning. But from our view, we did appreciate and are grateful for the effort made last year in this building to give us a 2-year authorization. As you said in your opening remarks, Senator, this did not in your view preclude the possibility of additions. But we do think that having multiyear viewpoints is the only realistic way to conduct programs in both the security and the economic fields.

Perhaps my colleague would like to add to that.

Mr. RUDDY. I would just echo what Assistant Secretary Crocker said. I think one of the shortcomings in development activities in Africa has been the absence of leadtime. The Harvard study on recurrent costs, which was published I think some time last year, said that many of the costs that are classified as recurrent actually are the result of not allowing enough time for the implementation of projects.

I think that is the kind of thing that may be brought about by the absence of sufficient planning on the part of our own legislative process. To the degree that we can get a longer leadtime in making our development plans, they are likely to be sounder.

We see in agriculture specifically that many of the projects that are required for Africa to turn around its food production problem are going to require a great deal of time. A great deal of research is required, and those kinds of commitments have to be reflected as

openly as possible. These are very long-term problems. And to the degree that the authorization by its extension can facilitate that, I think that would be to the best.

Senator KASSEBAUM. I should think it would be, too. It is distressing to me as a member of the Budget Committee sometimes not to have perhaps the most realistic presentation in the first place, when we are considering the authorization, because it makes it very difficult to have to come back for supplementals. And it is not only in the foreign aid supplemental; this is true now in nearly every area of the budget.

I think it would be beneficial to all concerned to better understand what the needs are, if we can acknowledge them in the first place and look ahead to what those costs are going to be.

Let me go on to some other issues. One is Public Law 480. Certainly one of the great tragedies in Africa has been hunger and the poor showing in food production. Given that serious problem, I would like your comments on why there was a reduction in title II of the Public Law 480 assistance for the 1983 supplemental request.

Mr. RUDDY. If one takes the figures for fiscal year 1979 through 1983, there is actually an increase in dollar terms of 32.6 percent. In addition, the Public Law 480 figures do not reflect the title II emergency requirements which will develop as the year proceeds.

Senator KASSEBAUM. Well, title II was reduced, was it not?

Mr. RUDDY. It is not a question so much, Senator, of its being reduced. I do not think those figures are actually being developed before the fact. We are simply not in a position to say what the title II funds would be at this point, because they depend on emergency needs throughout Africa.

Senator KASSEBAUM. The figures that I have here for Public Law 480 indicate that title I is up from \$109 million to \$117 million, but title II grant in fiscal year 1983 will be \$74.7 million compared to \$89.5 million in fiscal year 1982.

Now, I myself am not sure what that means in relation to the moneys which actually are available for Public Law 480.

Mr. RUDDY. I think that is a figure, Senator, that simply is not complete at this time because it will reflect emergency needs as they develop within Africa. I would like to point out that the period 1980 through 1981 witnessed widespread and massive food shortages throughout eastern and southern Africa, so the figure actually necessarily increased during that period. That is why I said in the beginning if you take the period from 1979 through 1983, there is actually an increase, a substantial increase in dollar terms, over 32 percent.

Title I, Senator, is planned in advance. But the title II, because much of it is emergency food, is covered by Agency reserves as emergencies develop.

Senator KASSEBAUM. And that is what is down in the light of your believing there might not be the emergencies which we might have to meet?

Mr. RUDDY. Yes. And it can go up, Senator.

Senator KASSEBAUM. It can go up then? There is that latitude. I see.

I have received a fair amount of mail on Senate bill 1675, which was introduced by Senator Hatfield and has the title of "Hunger Elimination and Global Security Act." I do not know if you are familiar with

this. I do not know if the administration has taken an official position on it, but I wonder what might be the impact of this legislation.

It says that 50 percent of development assistance is to be used "to finance production facilities and other goods and services to be primarily used by the absolutely poor" in Africa.

It would also require that recipient countries agree to undertake certain self-help measures and requires an aid cutback if the recipient country does not do enough to meet the terms of the agreement.

Have you analyzed this at all and given any thought to what impact these provisions might have?

Mr. RUDDY. Well, I think, Senator, that that bill is under consideration right now by the administration. I think on the question of the 50 percent of development assistance to be used to benefit the poor, this strikes us as possibly a little restrictive. We think that if the wording were expanded to reflect the idea of benefiting the poor directly or indirectly we would have the necessary flexibility to carry out our programs.

Senator KASSEBAUM. It seems to me the thrust of encouraging self-help programs and helping to increase production facilities would be a worthwhile goal. We have encouraged that in the past, but I believe without stipulating sort of a quid pro quo on how much aid would be received.

I have a letter from Senator Mahias, who could not be here this morning. He wanted me particularly to ask this question: "Why is the administration's request for population assistance funds for the African region lower this year than last year, despite the persistence of high birth rates in Africa?"

Mr. RUDDY. Senator, the figures are actually lower for fiscal year 1983 than for 1982. We have under the legislation two requirements: The first is that we do what we can to carry the message of population planning to the countries in which we work.

On the other hand, there is a restriction in the sense that everything we do with the host country must be voluntarily entered into by the host country. So it is something that we simply cannot control in the sense of saying you must do this or you must do that. We are very much responsive to the initiative and the interest of the host country.

For fiscal year 1983 the bilateral projects that were sound and responsible and that we thought could be carried out were in Ghana, Lesotho, Liberia, Rwanda, and Zaire. In addition, we are currently funding or plan to fund this year, projects in Kenya, Sudan, and Tanzania, and for Senegal under the Sahel development program. And we have had African regionally funded activities in Burundi, Cameroon, Ghana, Ivory Coast, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Zambia, and Zimbabwe.

That was the status when the CP was being prepared for presentation to Congress.

Now, there is a possibility that there could be projects developed in Burundi, Malawi, Somalia, Sudan, Uganda, and Zimbabwe. Zimbabwe may be funded in 1982 or 1983 and would be funded out of ESF as opposed to the population account.

Those are possibilities that have surfaced since we submitted the CP, and if they do come in and if they are the kinds of sound projects

that would be a good use of the taxpayer's money, we certainly will do what we can to see that they are funded.

Senator KASSEBAUM. You mentioned that perhaps ESF funds could be used. This is interesting, because as Dr. Crocker pointed out, it is important perhaps for us all to understand better the relationship between ESF and development funds as such because their uses can be similar, can't they?

Mr. RUDDY. Well, I think what I was saying, Senator, was that the purposes for which ESF funds in general could be used are for development purposes. The money that is available to Zimbabwe, the \$75 million, which we hope will be available in fiscal year 1983, is actually ESF money.

There are several questions regarding a possible population project in Zimbabwe. There were internal differences between past government officials that caused the project to fall out in fiscal year 1982. That seems to have been resolved now. And the question is whether, if this particular population program goes through, it will be funded out of the ESF money that is already provided for Zimbabwe.

I mention that because the other countries I mentioned where population programs were possibilities would be funded out of the population account, I just meant to distinguish the funding of Zimbabwe from the others.

Senator KASSEBAUM. So there are various programs where it is interchangeable in the sense that support that could be provided from ESF for development purposes?

Mr. RUDDY. I think so, yes.

Senator KASSEBAUM. I have a question also from Senator Pressler, who had planned to be here but has had his flight plan changed. He would like to ask this: "The amount of AID funds being channeled through private voluntary organizations is a very small percentage of the total aid assistance to Africa. Why can we not do better than this? Are there special problems or barriers in using private voluntary organizations for our African assistance programs?"

Mr. RUDDY. I will try to answer that. In general, we have had three meetings this year. The Administrator, Peter McPherson, has met with various umbrella groups of private voluntary organizations [PVO's] and I have also, on several occasions, as have other assistant administrators.

We think the private voluntary organizations are very valuable to us. We are trying to make these contacts so that we can work with them as closely as possible in carrying out what we do. There are some things that I think the private voluntary organizations are probably in a position to do better than we are. We recognize that. We realize that they are a very valuable asset.

So I think the direction in which this administration and AID are going is not to get away from using the private voluntary organizations but to come up with methods of operation and understandings so that we can work together more effectively.

Senator KASSEBAUM. Thank you very much.

I would like to move now to some proposals that are specific to various countries, the first being Sudan, which has certainly been plagued with some severe economic conditions. With such massive problems, what impact can we expect our economic assistance to have?

Mr. CROCKER. Senator, your question is addressed to the economic assistance area. So perhaps I will begin there and will ask Mr. Ruddy if he wants to add to what I have to say.

Our basic purpose in both our ESF programs and our development assistance programs and our Public Law 480 programs in Sudan is to help provide the needed foreign exchange and commodities in order to secure economic adjustment and stabilization in Sudan and prevent the possibility of financial collapse. The circumstances of Sudan for many years, having had policies which have not in fact stabilized the economy but have contributed to some of the slide, require that we focus first on stabilization. That is what we are trying to do, while at the same time bearing in mind that ultimately we all want to see Sudan really take off in development, as, of course, does the Sudanese Government. But the first priority has to be stabilization. That is the immediate goal. There has been significant progress on that front both through the recent rescheduling of private debt and public debt. And the IMF has come to agreement with the Government of Sudan.

So in a sense, for the immediate problem of stabilization, we think some progress has been made. And this request will enable us to help the Sudan to meet those commitments undertaken to the IMF and to the world donor community.

Senator KASSEBAUM. But is it not correct that the ESF level is down for fiscal year 1983 while the military assistance has been increased?

Mr. CROCKER. ESF is down, only if you compare it with both our original request for 1982 and with the supplemental request for 1982. Our ESF is up compared to our original 1982 request. There was in the interim an add-on, as you know.

Mr. RUDDY. I would just support what Secretary Crocker has said. I think it is impossible to exaggerate the seriousness of the situation of Sudan. It is the most serious economic situation we face in Africa. There is very considerable doubt whether Sudan can meet the IMF performance requirements.

And there is also some doubt as to whether the IMF standby program itself is sound, inasmuch as it seems to fall short of reality and has not dealt with such serious problems in Sudan as the dual exchange rates. Sudan is faced with an overwhelming debt burden and debt servicing which is simply not being faced realistically. Our chances for success are limited.

There is need for a comprehensive approach to the problem with a long view on how it is to be resolved. We will be working with the World Bank and the IMF on how to address this overall problem. And there is a possibility that there will be a consultative group meeting held in June. We think this is actually very important, even though the Sudanese have been less than completely enthusiastic about this. We think it is an awfully important first step.

There will be a review of the IMF condition on the credit ceiling this month. And in May there is an \$80 million payment due to the Paris Club creditors. These are both very serious events. There is evidence that Sudan needs considerable technical assistance in pulling together its basic economic data. There is difficulty right now in determining where they stand on foreign exchange and on budget figures, something that we are trying to assist with.

But in general, the problem is very serious. It is not something we

can solve by ourselves. We need the help of many donors, the World Bank, an awful lot of cooperation. And one can be hopeful, but not really sanguine.

Senator KASSEBAUM. About how much assistance is being received from other multilateral and bilateral donors?

Mr. RUDDY. We, along with the Saudi Arabians, I believe are the major donors.

Senator KASSEBAUM. Saudi Arabia is providing assistance?

Mr. RUDDY. Yes. Considerable assistance.

Mr. CROCKER. I have some figures on that, Senator. As a result of our contribution of an additional \$50 million in ESF during fiscal year 1982, we were able to stimulate other donors to contribute an overall total of some \$325 million in balance-of-payments support. So we believe, in fact, that this is a particularly good example of our ability to leverage support from other donors that is well beyond our own capabilities. This includes the Saudis. It also includes the Germans, French, British, and many other countries.

If I could come back to your original question, Senator, about military aid levels, in fact, the FMS total is straight lined between 1982 and 1983. In 1982 I think we received \$75 million in guarantees for Sudan plus \$25 million in MAP. The level requested for 1983 is \$100 million. So it is the same level, but we are seeking more concessionality.

Senator KASSEBAUM. Thank you.

Mr. RUDDY. I can give you some specifics on those figures, Senator.

Senator KASSEBAUM. Fine.

Mr. RUDDY. The United States and Saudi Arabia are the principal bilateral donors, with \$100 to \$150 million per year, followed by West Germany, the United Kingdom, France, and the Netherlands, \$20 to \$50 million a year. Canada, Italy, Denmark, China, Japan, and Czechoslovakia contribute lesser amounts.

The World Bank, International Development Association, the European Economic Community, and the Arab Bank for Economic and Social Development are the principal multilateral donors. The World Bank and IDA assistance is currently running at \$120 to \$150 million annually. EEC commitments average \$30 million annually. And the Arab Bank, \$25 million.

The major United Nations agencies operating in Sudan, include the United Nations Development Program [UNDP], Food and Agricultural Organization [FAO], the World Food Program [WFP] and the United Nations High Commissioner on Refugees [UNHCR]. The World Food Program and U.N. High Commissioner on Refugees' current programs currently average \$18 million, those of the UNDP and FAO nearly \$10 million.

Senator KASSEBAUM. Did I understand you to say they will have a payment to make of \$80 million to the IMF in May?

Mr. RUDDY. No; to the Paris Club. And the IMF is reviewing the credit ceilings this month, which is part of the standby agreement. Part of that agreement was that there would be a ceiling on credit. That is being reviewed this month. The next month I believe there is an \$80 million payment due to the Paris Club donors.

Senator KASSEBAUM. Do you have some concern that it will be difficult to meet that payment?

Mr. RUDDY. Yes.

Senator KASSEBAUM. What do you see happening if indeed they are not able to meet that payment?

Mr. RUDDY. I think before that comes to pass, we will be meeting with the World Bank and the IMF to see if we can somehow come up with some sort of arrangement, whether it be a form of rescheduling, a deferral or something like that, to avoid that situation.

Whatever you call it, it becomes a question of what are the real interests involved when you are dealing with a country like Sudan, if in fact it is absolutely unable to pay. Is it really smarter to enforce a debt that cannot be paid or to reschedule it or whatever it is called, so that it can be paid over the long run. I think that kind of practical wisdom will prevail.

Senator KASSEBAUM. Have there been any more riots or disturbances in the country such as occurred after the government lifted sugar subsidies in accordance with IMF recommendations? The government certainly did try to restructure its economy. Has there been any further disruption there?

Mr. RUDDY. Not that I am aware of.

Senator KASSEBAUM. Going on to Zimbabwe, you said in your statement, Secretary Crocker, that major FMS programs continue except there is one new program for fiscal year 1983, which would be in Zimbabwe. What does that program entail?

Mr. CROCKER. We are seeking a level of \$3 million in FMS authority in Zimbabwe. We believe that it is important that we in a modest way support the more ambitious program in the security field of our British allies who are the principal external trading factor in Zimbabwe.

We also feel it important, as a clear reflection of the balance in our southern African policies and our commitment to the frontline states that are engaged in the negotiations over Namibia, to demonstrate that we are prepared to play a role, albeit modest, in the security field in selective cases. Zimbabwe is one of those cases. Botswana is the other.

Senator KASSEBAUM. \$3 million is not a large amount.

Mr. CROCKER. No, it is not.

Senator KASSEBAUM. How, specifically, would it be used? As you know, we have had difficulty getting any type of assistance, even economic, approved for Zimbabwe when we have had votes in the Senate. I think it is going to be very important that there be a clear understanding of this small amount and how that assistance will be used militarily.

Mr. CROCKER. What we have in mind, Senator, is nonlethal support, which would be directly supportive of what the British are doing there. I am thinking of items in the fields of transportation, training, uniforms, boots, that sort of thing. That is what we have in mind.

Senator KASSEBAUM. Will it be working through the British?

Mr. CROCKER. There will not be a direct relationship, but it will be supportive of the British program. Perhaps my colleagues from the Defense Department would care to add to that.

Colonel DILLARD. That is correct, Senator Kassebaum. We anticipate in addition to what we refer to as individual equipment, they will also desire helicopter spare parts for the helicopters that they have in their inventory. They have, for example, the Agusta helicopter, which is similar to our Bell helicopter. We anticipate this type of mainte-

nance support and an effort by Zimbabwe to standardize its inventory more or less along U.S. or Western lines.

Senator KASSEBAUM. I do not know what we would do if we could not send helicopter spare parts to every country that we assist. It seems to be a major part of our military assistance abroad. [General laughter.]

Let me move on to Zaire. What are our objectives in Zaire?

Mr. CROCKER. Senator, in the broadest terms we look at Zaire and we see it as one of the largest countries in Africa. It has a large population. It borders with nine countries. It is the keystone of stability in central and southern Africa.

Zaire plays an important role in terms of our southern African diplomacy which is not all that often recognized. But, of course, it is also in every sense but formal name a frontline state with very important interests at stake along the Angolan border. It is a country with which we have had friendly relations for many years. We seek to continue those relations. But above all, we seek to reinforce in every way we can both the development chances for Zaire and the territorial integrity of Zaire, which as you know has been threatened many times in the past.

So we seek to reinforce those relations of friendship, to reinforce territorial integrity, and to give the country a chance over a longer term to turn the corner toward real development, bearing in mind the many problems that it faces and its unique colonial history and the Belgian legacy, which did not leave a very strong basis for nation building and development, let us be honest about it.

Beyond that, I would point out that while the Zaire program attracts a lot of attention in this country and a fair degree of controversy, I think what is not recognized is that on a per capita basis our assistance levels in Zaire are among the very lowest in all of Africa. We are seeking really modest increases from a very low base, given Zaire's importance and the importance of our interests there.

Senator KASSEBAUM. I think that is very true. I would like to ask you, though, why, according to figures that I have been given, we are doubling military assistance to Zaire. Would you explain why this is, in the light of reports—or perhaps this is the reason—of significant deterioration in the brigades now in Zaire?

Mr. CROCKER. I beg your pardon? Deterioration of what?

Senator KASSEBAUM. Of the brigades, 21st and 31st Brigades in Zaire, that are regarded as main deterrents, I gather, to any threat of invasion.

Mr. CROCKER. That is correct. Senator, we are focusing our increase on the military side. It is a doubling, as I said, from a very low level to \$20 million that we are seeking. The credits are to be used primarily to maintain Zaire's logistically critical C-130 fleet and strengthen ground transport and communication equipment that are identified with the battalions you referred to, largely in Shaba Province.

We are seeking, of course, to make it possible for these key units to be more reliable, to be better equipped, to have better leadership and to have better maintenance. There have been problems, as you referred to, with the C-130 fleet as well as in the brigade that is based in Shaba. We frankly do not feel we can be credible or that we will

have any impact at the level that currently exists, and we are seeking to increase that level for that reason.

If I could be more specific on the C-130 program for the moment, last June the Department of Defense sent a study team to Zaire to look at the C-130 situation. It was impressed with the fact that these aircraft are used for both essential military and for economic purposes, that there are enormously heavy demands on the small fleet of aircraft, that they are not therefore sidelined for maintenance as often as they should be.

Maintenance has been inadequate. It has been underfunded. And we are seeking to directly address that problem by developing an in-country maintenance program for that fleet.

The same basically applies to the brigades that you referred to; principally, the 21st Brigade in Shaba.

Senator KASSEBAUM. There are those who think that there even has been deliberate misuse of military aid in Zaire. And it apparently has been somewhat of a chronic problem in trying to maintain any improvements in military organization there. Do you see this aid leading to lasting improvement, or is there still a structural problem there and a management problem that means this money will just more or less be wasted?

Mr. CROCKER. Senator, our view is that there are indeed management problems, both in the civilian and military sector, in Zaire. We do not think it is helpful to dissemble on that point.

We also think it is worth pointing out that, for example, in Zaire's contribution to the Chad peacekeeping force, Zaire was the first to step forward. It was a courageous decision. It sent paratroopers to Chad. They performed very well indeed, as has their resupply from Zaire up to Chad.

So obviously, the potential is there, and we are seeking to improve it at all times. Perhaps my colleague would want to add a point on some of these programs.

Colonel DILLARD. Senator, we are aware of the Zairian logistics management problem and we plan to have a team review the situation and make recommendations. There is an apparent problem with maintaining proper control over the vast amount of equipment that is being shipped there for internal use or for Chad peacekeeping.

We hope that once the team's recommendations are in, we can assist Zaire in taking more positive action in management of materiel.

Senator KASSEBAUM. Thank you.

Are the French and the Belgians increasing their military assistance or economic assistance to Zaire?

Mr. CROCKER. We would have to get you figures on that, Senator. I do not have the precise figures. We are working closely with the Belgians on the 21st Brigade that is based in Shaba.

The other principal brigade and the one for which I believe some units are detached up in Chad, has had the primary French role in the training and support of that unit. But I can get figures for the record, if you wish.

Senator KASSEBAUM. I would be interested in knowing if that assistance had increased on their part. Certainly, Belgium is facing economic problems at home. I did not know if there was still the same level of participation or any increase in their assistance.

Mr. CROCKER. I would have to get you the detail on that, Senator.
 Senator KASSEBAUM. Thank you.

[The information referred to is classified and in committee files.]

Senator KASSEBAUM. There is one other country that I would like to ask about, and that is Uganda. The security situation there is reported to be serious. The administration plans \$5.5 million in aid for fiscal year 1983. How well do you believe that under current circumstances this money can be administered and be effective?

Mr. RUDDY. I will try to answer that, Senator. The answer to that question is I think very well. Uganda is a country which, as you know, has been recovering from very serious civil war. In the wake of Idi Amin there are so many things that are simply not in that country. It is not a question of rather sophisticated things, but in offices one finds desks are missing, file cabinets. The most basic things are not there.

In addition, there is a situation where you had most of the men in the country armed. And after the civil war it is a difficult and time-consuming process to get them to demobilize and to get the arms turned in.

I was in Uganda, in Kampala, in December. When one goes to sleep at night, downtown you can hear rounds going off. They sounded to me like M-1 type weapons. Not a lot, but you could hear them. You are stopped at roadblocks at different places. And you wonder what kind of control exists at all of these roadblocks.

Those are some of the things that are not so good. But I feel that President Obote is making real strides to bring this situation under control. It is a very difficult political situation for him, and he seems to be making some real efforts in that regard.

I think there have been significant successes in the West Nile region recently. And, of course, you read about the incursion into Kampala by the 300 guerrillas a few weeks ago. Something like that obviously is very scary.

But in general, I think he is going in the right direction. He is faced with an incredibly difficult situation, but he has taken the kinds of economic measures which we are always telling countries they must take to survive. He has taken the really tough steps. He has devalued 1,000 percent. I think it is the kind of economic bravery and political bravery that we ought to back. So I support that completely.

Senator KASSEBAUM. I am glad to hear that you have that view. It is reassuring that you regard the situation there with some encouragement.

I would like to close the hearing with a question which is somewhat the reverse of the one I started with. I would like to ask what you think the impact might be with regard to U.S. policy in Africa if we did not approve the supplemental request and maintained the 1982 funding level.

Mr. CROCKER. Again, there are several different categories here. But I think, to start with the security side—

Senator KASSEBAUM. We should focus particularly on Sudan, Zaire, and some of the countries that we have just discussed, where we believe the aid is very important.

Mr. CROCKER [continuing]. Yes, that is correct, Senator. We look at cases, whether it is Kenya, Liberia, or Zaire, where basically our credibility in various respects is on the line, both our credibility as a champion of tough, courageous decisions in the economic field, along the lines of those Mr. Ruddy was just talking about in Uganda, decisions on reducing subsidies, decisions on devaluation, decisions basically to get the government off the backs of productive forces in African economies, principally farmers.

All these decisions have a short-term negative political effect. If we are unable to be there in support when they are being asked by us and by the world donor community and so on to take these decisions, we frankly are not being all that helpful, we are not being all that friendly, and I think we may see—I cannot predict exactly where—but one could envisage further situations like in Ghana developing as a result of this.

Just by way of illustration, in Ghana, we had until recently a friendly democratic civilian government which simply was unable to take these tough decisions. It got very little support from the outside community. We do not need more Ghanas across the continent of Africa. I think it is a very real risk.

On the security side, we are seeking basically not increased levels, as I have indicated, but increased concessionality. If we do not get the increased concessionality, we will do one of two things: We either will not be able to supply the equipment or the training because the African Government concerned will say, we cannot afford 15 percent rates; or else we will saddle them with 15 percent rates, which compounds the economic and debt problems that we have all been talking about this morning.

Senator KASSEBAUM. Thank you very much. I certainly appreciate your strong and well-informed presentation for the 1983 supplemental.

I would also like to submit for the record some further questions which I did not ask today. I also have a prepared statement of TransAfrica, which the group would like included in the record.

[TransAfrica's prepared statement follows:]

PREPARED STATEMENT OF TRANSAFRICA, WASHINGTON, D.C.

Madam Chairperson and members of the Senate Foreign Relations Committee, TransAfrica, a black American foreign lobby for Africa and the Caribbean, is most concerned about the priorities and allocations of the Africa Foreign Assistance program for fiscal year 1983.

The heavy emphasis on military security, in our view is misplaced. On a continent with 21 of the 31 poorest countries in the world, military assistance is the smallest of needs. Yet, in 1983, the administration seeks a 26-percent increase in total military aid for sub-Saharan Africa and dramatic increases for two north Africa states, Morocco and Tunisia. Total economic assistance requests, on the other hand, shows a slight 2 percent increase. While development aid falls by a small amount, quick-disbursing, economic support funds rise by 12 percent. Although Africa has pressing short-term financial problems as evidenced by debt rescheduling for seven African countries last year, more resources have to be devoted to medium and long-term development projects if stagnation and decline are to be checked. The current allocations of U.S. foreign assistance indicates otherwise. In a time of budget austerity, resources should go to more constructive ends. Arm buildups do not address fundamental economic problems, they only heighten regional insecurities.

The administration seems to believe that arming pro-Western regimes to the teeth is the most cost effective means of maintaining peace and strategic security.

It is a false belief. By ignoring, or at best, paying lip service to the root causes of instability, namely extreme material deprivation and gross political and social inequities, explosive tensions build that plentiful and sophisticated armaments cannot resolve. More often than not, the pro-American ruling elites fearing displacement use the generous U.S. military assistance to suppress the restive masses clamoring for material improvements and freedom.

In Africa, Zaire is the best example. Despite a well documented history of pervasive corruption and graft, the United States instead of distancing itself from that government and cultivating ties with opposition figures, plans to increase military assistance from \$11.5 million in 1982 to \$21.3 million in 1983. While Zaire needs drastic economic and political reform, the U.S. concentrates on military modernization and effecting another financial bailout.

The longer the present government remains in power the probability of a cataclysmic upheaval occurring increases. In that future crisis, it is likely that U.S. interests will be seriously jeopardized because of close identification with the current regime.

In Liberia, maintaining solvency is unquestionably an important priority but the large increases in FMS seems dubious. Are we cultivating a military junta?

In the Horn of Africa, the priorities again seem out of step with the human and economic realities. Somalia, with 1.5 million refugees and one of the lowest per capita incomes in the world, is slated for a slight cut in total economic assistance but a \$20 million increase in foreign military sales credits. Given the beleaguered state of Ethiopia and the likelihood of any foreign troops attacking Somalia proper, the rationale for the large arms transfers seem questionable. The arms may be seen possibly as a potential reserve for U.S. emergency use or a "sweetener" for granted base rights. However, the weapons may be diverted to the Ogaden and help rekindle widespread fighting.

In north Africa, \$101.6 million in FMS is earmarked for Morocco in 1983, an increase of \$70.5 million over the 1982 level of \$31.1 million. This phenomenal increase seems to indicate a renewed push for a military victory—a totally unrealistic objective.

On the positive side, we are pleased to see increases in the southern Africa regional program, the agriculture and rural development account, and the amount of development assistance to several individual countries for 1983. The focus on increasing food production, strengthening the indigenous private sector, and institution building is also well placed. Unfortunately, the amount of development aid is not large enough to have an serious impact.

In summary, we strenuously oppose the continuing militarization of the world's poorest continent. African nations must be seen as entities unto themselves and not pawns in the East-West conflict. The present policy of token assistance to all but staunch supporters or convenient allies, do not reduce destabilizing tensions. On the contrary, it sharpens conflicts and contradictions. The U.S. Government often in quest of maximizing short-term influence and expending a minimum of resources, sides with ailing regimes, thereby alienating itself from the forces of progressive change and endangering long-term interests.

A better course to follow would entail significant increases in economic assistance and the undertaking of good faith negotiation with developing nations toward reforming the present inequitable, international order. As the United States grows more dependent on Africa as a source of critical industrial materials and as an export market, opportunities to win respect and build true friendships should not be lost.

The present shortsighted policies work to increase instability. We urge that the level of military assistance be reduced and transferred to development assistance accounts. Attempting to counter allegedly aggressive parties by massive arms transfers while the economic foundation of a region crumbles due to inadequate attention, makes for a self-defeating U.S. foreign policy.

We hope you consider our comments in your deliberations.

Senator KASSEBAUM. Thank you all very much.

This hearing is adjourned.

[Additional questions and answers follow:]

AID'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR MATHIAS

Question 1. What progress has been achieved in assisting African countries to introduce or expand voluntary family planning programs?

Answer. While it is true that only a very small part of AID development assistance is presently programmed for population activities in the Africa region, most sub-Saharan African nations are now receiving U.S. population assistance, primarily through U.S. and international intermediary organizations. Our population specialists advise that AID-assisted population activities are underway in 39 of the 48 sub-Saharan nations. I would like to emphasize to this Committee AID's absolute commitment to moving ahead with population programs in Africa in accordance with the requirements of the Foreign Assistance Act in this connection. It is necessary to emphasize that African nations themselves must want our assistance, and must be prepared to receive it. That is not only what the law requires, but we have learned through hard experience that money must not be committed too early, or it will be wasted.

In Africa, the general perception of survival is still closely linked to the number of healthy offspring whose labor can be applied to the family farm. Labor remains the key scarce input in high risk farming systems. Until infant mortality rates begin to fall, the decline in per capita food production is reversed and more modern farming techniques can be introduced, there will be little noticeable impact in reducing fertility rates.

It's a matter of getting people to understand the relationships between population growth and the economic problems. One of our most promising efforts has been in the use of the rapid presentation which is a way of demonstrating the impact of population growth on economic factors such as the need for schools or clinics or arable land or whatever.

This has been very successful in many countries in helping leaders understand the implications of population growth as it relates to development.

I think we will see over the next decade a far better appreciation of the population problem, but I don't think that we are going to see any dramatic change in the population growth rate in that period.

Given this setting, the AID strategy for furtherance of population planning policies and programs within the Africa region consists of several inter-related initiatives which have been tried and proven in population work worldwide. These are:

1. Actions aimed at building a constituency for population activities at policy, planning, administrative, technical/professional, and media levels as well as among the ranks of potential acceptors of family planning services;
2. Actions aimed at developing capacity to design, implement, and evaluate family planning service programs either as a part of basic health services or integrated with other appropriate educational and service programs;
3. Actions aimed at assisting LDC governments to examine the implications of rapid population growth as they relate to development objectives, and at assisting LDC governments to formulate effective strategies and programs for dealing with these problems; and
4. Actions aimed at supporting the development of educational and service programs in both the public and the private sectors.

In brief, the AID population strategy must be paced with the growth of interest and understanding among the African people and their governments. The first step is to help advance this understanding. In the provision of family planning services we work with those public and private organizations that are prepared to provide local leadership. The close integration of family planning with health services is particularly important and is a central part of the AID approach. Organizational and logistical problems have been major impediments to advancement of family planning programs in many countries. Thus, an important part of the strategy is to work with the governments in the development of organizational and management systems for administering population activities.

We are prepared to seek increased funding for population activities where host governments request them and the proposals are technically sound and supported by proposed recipients.

Question 2. Why has the Africa Bureau of AID not met the population assistance objectives set by Congress in last year's AID bill?

Answer. The \$10 million provided for bilateral population programs in Africa for fiscal year 1982 by Congress was based on the understanding that the Africa Bureau had received proposals from its field missions in the fiscal year 1983 Annual Budget Submissions for population programs totaling more than \$16 million. These requests were reviewed and reduced to \$13.5 million by the Africa Bureau because certain programs lacked sufficient high priority or had not been developed to the degree to warrant further consideration. Additionally, one pro-

posals for \$2.4 million for family planning assistance to Zimbabwe was postponed because of internal differences within the host government, and when it is to be reconsidered for funding, it was suggested that it be funded out of the ESF funds programmed for Zimbabwe.

The level of \$13.5 million was further reduced within AID to \$8.2 million because the Population Office of the Science and Technology Bureau had ongoing funding requirements of a higher priority compared with some of the requests submitted by the Africa field missions. At the time of the fiscal year 1983 Congressional Presentation, the Africa Bureau was given a level of \$8.8 million for fiscal year 1982, which included \$1.5 million to fund Sahel population activities.

Question 3. Which African countries has the Assistant Administrator for AID, Mr. Francis Ruddy, visited during the past year, and what steps has he taken to insure that U.S. AID Mission Directors place high priority on population problems?

Answer. Since I was confirmed by the Senate on July 31, 1981, I have visited Senegal, Ivory Coast, Upper Volta, Nigeria, Liberia, Togo, Zimbabwe, Kenya, Uganda, Tanzania and Somalia.

I have discussed family planning with the field population officers where it was possible in countries I visited and frequently talked with population coordinators and Mission Directors.

In general, I inquired about host country attitudes, about our methods and programs, about host government policies, about religious and cultural views and any other matters that reflect on the effectiveness of our program.

My questions were for the most part intended to give me an understanding of the differences between the theoretical Washington view of the population program and the program as it was carried on day-to-day.

I tried on several occasions to explore the possibility of coming up with initiatives in the population area that would not conflict with African cultural, religious and political sensitivities and found no interest in one case and great interest in another. I am exploring the possibility of this kind of approach.

The following instructions have been provided to Mission Directors and key personnel in the Africa Bureau. In May 1981, Peter McPherson sent a telegram to all Missions, including all African Missions, on AID's population program. It reads as follows:

[Routine—Awide, All Diplomatic and Consular Posts]

Subject: AID's Population Program.

For: Ambassadors and Mission Directors from AID Administrator.

1. Summary: This statement reaffirms the commitment of the Agency to a strong population program.

2. A number of recent newspaper articles have suggested that the United States will give less support for population programs in the future than it has in the past. I know that a number of you are concerned about the basis for and implications of such statements, and therefore I want to take this opportunity to assure you that the administration continues to place high priority on population foreign assistance programs.

3. The dangerous dimensions of prospective world population growth were highlighted by Secretary Haig in his March 18-19 testimony before Congress on security and development assistance. The basic continuity of U.S. policy in this critical area was underscored in my March 19 testimony, and in the January 24 statement before the United Nations Population Commission of Ambassador Benedick, the State Department Coordinator of Population Affairs. Further evidence of the interest and involvement of State Department in Population Affairs is contained in State 116496. The U.S. Government's concern about the modern phenomenon of population growth is based both on our traditional respect for human dignity and on our interest in economic and social development and political stability. We also recognize that the primary responsibility for addressing these issues rightly rests ultimately in the national will and actions of each sovereign country. An increasing number of national leaders from all parts of the Third World, as well as recent major resolutions of important international fora have reiterated these themes, contributing to a growing international consensus on population problems and programs to address them.

4. Rapid population growth is a major obstacle to social and economic progress in the developing world. Ninety percent of world population growth between now and the end of the century will occur in the less developed regions of the world. Concomitant with population growth are food scarcities and increasing

malnutrition, depletion of natural resources and degradation of the productive environment, growing unemployment and underemployment, urban crowding and severe housing shortages, and the diversion of resources from investment to support the growing population.

5. AID has been the leader in developing and disseminating the most widely used contraceptive methods; in developing low-cost service delivery systems; in training personnel; in increasing interest in family planning among individuals, communities, and national leaders; and in promoting multilateral assistance for population through the UNFPA, and other institutions, which have attracted funds from other donors to this area. I feel strongly that we must continue to provide strong leadership, especially now when (1) demand for population programs from a wide range of countries far exceeds available resources, (2) diplomatic pressure from developing countries for more attention to population is rising, and (3) confidence in and demand for U.S. expertise in population programs is growing.

6. The basic objective of AID's population program has been and will continue to be to encourage voluntary family planning. Over the past fifteen years we have developed a much sharper appreciation of the complex social and economic factors that encourage high fertility, of the negative impact that rapid population growth has on a country's economic development, and of the political, economic, social, and policy changes that are supportive of fertility declines.

7. In the past, AID's major population programs have concentrated on those countries where the government has been strongly supportive of family planning and often where generally improving economic and social conditions have encouraged interest in smaller families. While funding will continue to be concentrated in those countries where the potential for successful family planning programs has already been demonstrated, we should be giving increasing attention to opportunities in other countries where birth rates remain unusually high. In looking to the challenges ahead, we will give greater attention to such innovative programs as:

- Delivery of services through (a) the private sector, including community-based distribution; (b) contraceptive retail sales; and (c) private voluntary organizations involved in population work.

- Efforts to encourage desire for smaller families as mandated by section 104(d) of the FAA.

- Greater attention to development of safer, more effective, and more acceptable methods of fertility regulation (including also non-medical methods "natural family planning"), and their adaptation to differing social, cultural, and physiological conditions in different countries.

- Experimental delivery programs to test the cost-effectiveness of alternative ways of delivering not only family planning but also health, education, and other basic services.

- Programs for LDC policy makers and program planners, to disseminate up to date information on fertility behavior in order to encourage their support for voluntary family planning programs, to improve program management and to identify ways that development policies and programs can be better shaped to complement family planning efforts.

8. In summary, we are now at a point when the effects of rapid population growth are becoming increasingly obvious, and when we know, by and large, how to design effective population programs appropriate to different settings:

- Full-scale voluntary family planning programs where government commitment and private demand is high;

- Programs to encourage official support for voluntary family planning where government policies or legislation have not yet been developed;

- Flexible private sector programs where these can usefully supplement government programs;

- Use of the private sector and local distribution mechanisms where demand for family planning services varies widely from community to community; and

- Provision of family planning information in conjunction with health, training, and other needed services where social, cultural, or economic factors continue to discourage interest in smaller families.

9. In short, I urge you to reassure mission staff working in all sections of the population and family planning groups, and host country counterparts that the United States does not intend to diminish its commitment to and leadership in international population programs. The fact that this administration's fiscal

year 1982 budget request of \$253.4 million for population represents a one-third increase, at a time of severe budgetary stringency and cutback of many domestic and international programs, speaks for itself.

A second important set of instructions distributed to all African posts is the CDSS Guidance. This document lays out the basic methodological instructions and format for the Country Development Strategy Statements. Annual substantive amendments are usually transmitted to the field by PPC (global guidance) and the Geographic Bureau (additional specific guidance).

State 316566, dated November 28, 1981, amends A-384 with PPC Guidance for the fiscal year 1984 CDSS. Paragraph 3D provides the guidance on population as follows:

[II. Quote]

D. POPULATION

Rapid population growth is a major obstacle to social and economic progress in most developing countries; efforts to help LDCs reduce such growth through provision of voluntary family planning services, supported by other development policies and programs, remains an AID priority. AID will continue to develop and disseminate the most widely used contraceptive methods; develop low-cost service delivery systems; train personnel; increase interest in family planning among individuals, communities, and national leaders; and promote multilateral assistance for family planning.

In designing population programs, missions should investigate various ways in which the population problem may be addressed through linking other development programs to family planning programs, e.g. the capacity of the health delivery system to provide family planning services, improvements in the educational prospects and income earning capacities of women and girls, improved infant and maternal health, agricultural innovations which lessen the demand for child labor, etc.

[end Quote]

State 336823, dated December 22, 1981, paragraph 3G provides additional Africa Bureau guidance as follows:

[Quote]

G. POPULATION

AFR mission population analysis and strategy statements have been generally weak. As many as possible of the following concerns should be addressed. Current information and projections are needed on total population size, crude birth and death rates, national population growth rates (with and without international migration) doubling times, urbanization, and the proportion of population under 15. This information should be used to assess the likely impact of population on your country's development (e.g. good education problems) analyses should be made of the most critical of the following factors that affect population growth in your country: cultural factors; population and family planning information and education (for leaders, the public, and family planning clients); delivery of family planning services and supplies; official (or unofficial) policies or statements; availability of demographic data; and status of effective contraceptive use. Both public and private actions should be considered. Based on the above analyses and in relation to the overall strategy, mission strategy should indicate which factor(s) influencing fertility it proposes to address, actions which should be undertaken (considering other donor inputs), and how it plans to carry them out.

[end Quote]

In addition to these sets of written instructions, Administrator Peter McPherson and Associate Administrator Dr. Nyle Brady spent three days with all the African Mission Directors at the Africa Mission Directors Conference in Lome in January 1982. In addition to meeting personally with each Mission Director, the Administrator stated his views on AID's population program in the plenary session. Dr. Brady discussed the role of his Bureau and the S&T Council in carrying out AID's population program in a plenary session and several working groups.

The PPC Bureau in January of 1982 made available to the Africa Bureau, as well as to all other Bureaus, its publication, "Rationale for AID Support of Population Programs." This is a 27 page publication dealing in considerable detail with AID's role in population assistance.

The PPC Bureau is also in the process of preparing a policy paper on population to be ready June 1. This policy will be distributed to the Africa Bureau and all other Bureaus at that time.

AID'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR KASSEBAUM

Question 1. Does AID plan to spend less for education and human resources development in fiscal year 1983 than in fiscal year 1982? If so, why?

Is health in another category of activities for which funding will be lower in fiscal year 1983? If so, how and why are these cuts being applied?

Answer. The fiscal year 1982 and fiscal year 1983 overall proposals for Development Assistance remain almost constant for these 2 years. This in part reflects the 2-year authorization enacted by the Congress for fiscal year 1982 and fiscal year 1983. Because of these overall funding constraints, a higher priority has been given to the Agriculture, Rural Development and Nutrition functional account than other accounts. This reflects the priorities of host governments and other donors to address their highest priority concern in Africa, which is to reverse the decline in per capita food production.

Question 2. Many people who are concerned about food problems in Africa emphasize the need to reduce post-harvest losses of food crops. Others emphasize disaster preparedness measures, such as the establishment of grain reserves in famine-prone African nations called for in S. 1675, the "Hunger Elimination Act." What are the Administration's views on these two approaches?

Answer. Agency views on the "Hunger Elimination and Global Security Act" were sent to the Hill May 13, 1982. A copy is attached.

It should be pointed out that our approach to the food availability problem is holistic. Our agricultural development programs in Africa emphasize increasing agricultural production and reducing post-harvest crop losses. Within the overall strategy for a particular country, increasing production entails such elements as extension and instruction in improved cultivation and storage techniques, agronomic research, distribution of improved seed varieties and other agricultural inputs and U.S. technical assistance. Reducing post-harvest losses entails training in food storage management, proper use of pesticides and other controls, inventory and accounting procedures and timely rotation of food stocks. Lastly, we are providing non-emergency Public Law 480 food commodities as an inducement to reform domestic agricultural policies and improve the agricultural incentive structure.

AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., May 13, 1982.

HON. CHARLES H. PERCY,
U.S. Senate, Senate Foreign Relations Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for comments from the Agency for International Development on S. 1675, the Hunger Elimination and Global Security Act.

S. 1675 proposes several changes to Public Law 480 and the Foreign Assistance Act that are intended to emphasize the developmental and humanitarian objectives of those acts. We agree that these are important objectives of both the bilateral foreign assistance and the Food for Peace programs. At the same time, we have concluded that the suggested statutory changes are not necessary to achieve these objectives. In fact, AID has already taken a number of steps in the food aid program to increase its developmental impact, and our bilateral program continues to emphasize the humanitarian concerns addressed in the bill.

Currently AID policy calls for renewed emphasis on three major sectors—food and agriculture; human resource development (including health, education and population); and energy and natural resources. The focus on these areas emerged from a study of the sectoral implications of the basic human needs objectives of existing foreign aid legislation.

Development experience over the past two decades, as well as projections for the next two decades, indicate that the main obstacle to poverty alleviation and increased satisfaction of basic needs is low rates of economic growth in the low-income countries of Africa and Asia. Along with our sectoral focus, current AID policy emphasizes a number of activities to promote increased economic efficiency and growth in recipient countries as a means of reaching the needs of the poor majority. These include a greater stress on institution building and on measures to increase the transfer, adaptation, and dissemination of technology.

AID has also taken a new look at the Public Law 480 program. Most significantly, AID has undertaken measures to increase the developmental impact of both the food aid and non-food aid programs by integrating the two where possible. We have surveyed the programs of those missions implementing food aid

programs and developed guidance to the field on possible opportunities for successful integration. The importance of integrating food and non-food aid programs was also highlighted in the guidance given for preparation of AID's fiscal year 1984 Country Development Strategy Statements.

This attempt to integrate food and non-food aid programs applies to Public Law 480 Title II programs as well as to programs under Titles I and III. For example, nutrition education programs, funded with development assistance, may be used to strengthen Title II maternal and child health feeding programs. Guidance has been sent to the field mission on other ways Title II programs may be integrated into the overall development programs.

With respect to Title III, the Agency is currently preparing policy and program guidelines. These new guidelines will incorporate the experience gained in the initial years of implementing the Title III program.

Recognizing that successful food aid programs must be based on sound analysis of the agriculture policies and programs in recipient countries, we also have urged our field missions to strengthen their economic analysis of this sector. The Agency is providing short-term assistance where needed to undertake the economic analysis for program preparation, particularly for the major food aid programs.

We recently concluded an in-depth study of the developmental impact of Public Law 480 for the House Foreign Affairs Committee. The conclusion from that study was that, in light of our progress in making food aid a greater developmental and humanitarian tool, we did not feel that additional legislation was necessary at this time to accomplish our goals. We believe that new legislation at this time could be counterproductive, introducing unnecessary rigidities and heightening competing interests. We are confident that even more can be accomplished without the legislative changes contained in S. 1675 and that our overall development efforts can be strengthened through our existing food aid program.

The enclosed additional comments on S. 1675 are those of the Agency for International Development. However, all other interested agencies have participated in their preparation, and they represent the position of the Executive Branch. The Office of Management and Budget has advised that it has no objection to this report from the standpoint of the President's program.

Sincerely,

JOSEPH C. WHEELER.

Enclosure.

THE HUNGER ELIMINATION AND GLOBAL SECURITY ACT—S. 1675

This bill suggests a number of changes to Public Law 480 and the Foreign Assistance Act of 1961 to increase their development impact and emphasize their humanitarian objectives. We agree that these objectives are important aspects of our food assistance and bilateral programs. We also agree that these programs should be continually reviewed to ensure that these objectives are being met. We do not agree, however, that the amendments which this bill proposes are the most suitable means for achieving the stated goals. The Agency for International Development therefore opposes the proposed legislation. Our comments on specific items are set forth below.

Sections 1 through 3.—These are general introductory provisions which find that hunger, disease, and extreme poverty are among the most critical of global problems, that an understanding of these problems is essential to the protection of U.S. security, and that the development of poor countries and the eradication of hunger and poverty should be a primary objective of U.S. foreign policy. We agree with the statement of issues in these provisions.

Section 4.—The proposed provision would require the President to designate in the Congressional Presentation each year which foreign assistance programs and projects were designed to meet basic human needs. In making this determination, the President would be required to consult with the House Agriculture Committee; the Senate Agriculture, Nutrition and Forestry Committee; the House Foreign Affairs Committee; the Senate Foreign Relations Committee; the House Appropriations Committee; and the Senate Appropriations Committee.

Although we recognize the importance of helping developing countries to provide for the basic human needs of their people, we believe this provision is unwise for several reasons. We feel that designating some projects as "basic human needs" projects, and consequently implying that the rest are not designed to assist the needy, results in an artificial dichotomization of the AID program. All

AID programs are designed to contribute to the development of the countries receiving the assistance and to a broad segment of the populations therein.

Additionally, the proposed provision would increase the burden of Congressional consultations by adding two more committees to the process. Finally, the requirement to consult on the designation of projects prior to the time the budget request is submitted deviates from accepted procedures and interferes with the prerogatives of the Executive Branch.

TITLE I—PUBLIC LAW 480

Section 101.—Presently, if a country does not perform the self-help measures under a Title I agreement, the required recourse is to terminate the agreement. Section 101 would amend Section 109(c) of Public Law 480 by adding the alternative of adjusting the rate of interest to not less than six percent, unless non-compliance were a result of factors beyond the country's control or enforcement of the provisions were contrary to our security interests.

We recognize and do not disagree with the objective of this proposed provision, which is to introduce some flexibility into enforcement of the self-help provisions and ultimately strengthen the development aspects of food aid. For the following reasons, however, we oppose the amendment.

First, we believe that the emphasis on the interest rates of agreements already in effect is misplaced. It is easier and equally effective to deal with a country which has failed to comply with one year's agreement by taking that failure into account when negotiating the following year's agreement, rather than trying to go back and change the terms agreed to the previous year.

More fundamentally, we question the feasibility and effectiveness of trying to use interest rates to achieve policy reform and action. Our ability to influence a host country's actions is a function of a variety of factors, including the nature of the country's economic situation, the overall level of our economic assistance, our capacity to engage the country in a policy dialogue, and the actions of other donors. Adjustments in interest rates alone are not considered a very practical or effective means of encouraging policy action. Rather, attention should remain primarily focused on these other aspects of our relationship with the developing country, particularly the creation of an ongoing and constructive policy dialogue.

Additionally, whereas a judgment on self-help compliance will be made based on a country's actions in the near term, a change in Title I rates will impact on a country's financial situation over a multi-year period. Thus, a country whose action under the self-help agreements was found to be insufficient one year would have to bear the tighter terms over subsequent years during which its performance might have substantially improved.

This section also contains provisions which would amend Section 109(d) of Public Law 480 to make Title I self-help measures specific, additional and reviewable. Similar amendments were recently enacted as part of the Agriculture and Food Act of 1981 and are beginning to be implemented by the Administration. Since their enactment, the negotiating instructions for all Title I agreements have included instructions on these provisions. The field staff has recently concluded the first agreements under the new instructions. Our experience under last year's self-help amendments has been very short. Further amendments to the self-help provisions after such a short period of time would undoubtedly result in confusion in trying to implement the agreements. For this reason, we oppose these proposed amendments.

TITLE II—MULTILATERAL DEVELOPMENT BANKS

Section 201.—Public Law 97-35, which was enacted on August 13, 1981, added legislative provisions for targeting assistance to the needy through the multilateral development banks. The legislation mandated the Secretary of the Treasury to consult with representatives of other member countries of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Asian Development Bank, the African Development Fund and the African Development Bank (if the United States becomes a member) for the purpose of establishing guidelines within each institution, which would specify that a proportion of the annual lending by each institution should be designed to benefit needy people. The legislation also contains a Congressional finding that "projects to construct basic infrastructure, to expand productive capacity (including private enterprise) and to address social problems can all meet the objectives of this section if they are designed and

implemented properly." Needy people are defined as people living in "absolute" or "relative" poverty as defined by the IBRD and IDA.

S. 1675 amends the legislation enacted last year by specifying that the proportion of each institution's lending that should benefit needy people should be at least 50 percent and by adding the Inter-American Development Bank to the institutions covered by this provision. Needy people, for purposes of the bill, include only those living in "absolute" poverty and not those living in "relative" poverty. Moreover, the bill deletes the previously enacted Congressional finding on the broad range of projects that can be considered as meeting the objective of benefiting needy people.

The Administration opposes the proposed amendments as injecting unnecessary rigidity into multilateral development bank lending. In contrast to the provisions of Public Law 97-35, the proposed quantitative targets and the restrictive definition of "needy people" do not take into account the complexity of the development process, and would not provide the multilateral development banks with the degree of flexibility necessary to apply the most effective development strategy in each given project and/or country situation. There was a consensus among academicians testifying last July on "Targeting Assistance to the Needy" before the Subcommittee on International Development Institutions and Finance of the House Committee on Banking, Finance and Urban Affairs that growth with equity was important, but that the complexity of the development process and the desirability of avoiding rigid criteria had to be emphasized.

The Administration believes that particular development strategies must be tailored to the specific needs and potential of countries and regions. It is vitally important that efforts to encourage the multilateral development banks to direct their assistance to the poor not come at the expense of the banks' proven and critically important capability to support investments in essential infrastructure, to provide structural adjustment lending designed to assist in the implementation of economic policy reforms, and to provide other types of assistance designed to encourage growth-related development. The report on "United States Participation in the Multilateral Development Banks in the 1980's" underscores the importance of a bank role which maximizes its impact as a catalyst for private sector resources and as a source of sound policy advice. The Administration's view is that such a role constitutes the best way for the banks to facilitate the type of self-sustaining development which benefits all sectors of a recipient country population and is particularly important for the poor.

TITLE III—WORLD FOOD SECURITY

Section 301.—This provision would require the President to encourage other grain exporting countries to establish food security reserves and to report to Congress on actions taken with respect to this section. The Executive Branch is already undertaking actions to achieve the objectives sought by this proposal. President Reagan stated the U.S. position of encouraging the development of grain reserves by other grain exporting countries and by developed importers at the North-South summit meeting held last year in Cancun, Mexico. Although AID supports the intent of the legislation, we oppose the proposal because we find it unnecessary and duplicative.

Section 302.—Section 302 would require the President to attempt to insure that the IMF Food Financing Facility was used to reduce malnutrition and hunger and to report to Congress on his actions. While we also support the intent of this proposed provision, that is, to seek ways to reduce poverty and hunger, we cannot support this section of the bill.

The language of this section seems to be based on a misunderstanding of the nature of the IMF Food Financing Facility (which, when it was finally established, was called the Cereal Financing Facility). As approved by the IMF, the concept of a food financing facility has been incorporated into the existing IMF Compensatory Financing Facility, which provides balance of payments support to LDC's experiencing problems because of unexpected export earning shortfalls. Under the new procedures approved by the IMF, a country which has balance of payments problems may now also seek financing from the IMF to cover unexpected increases in food import cost largely attributable to circumstances beyond its control. The "Food Financing Facility", therefore, is really just an inclusion of increases in food import costs among the factors that determine the eligibility of a country for general balance of payments support under the Compensatory Financing Facility. The support provided by this facility is not earmarked to finance particular expenditures.

Additionally, although drawings from many of the other facilities in the IMF, such as normal credit tranches, the Extended Fund Facility, and the Supplementary Financing Facility, are conditioned on policy action by the LDC's, the Compensatory Financing Facility (including the Cereal Financing Facility) is not. The LDC's are either eligible or they are not, although they are expected to cooperate with the IMF in finding appropriate solutions to their overall balance of payments problems. These facilities are meant to provide immediate, short-term balance of payment support when the need arises. Financing from these facilities is not predictable nor is it meant to be long-term enough to support policy changes by the LDC's. Consequently, there would be no means of directly achieving the objective of the proposed legislation without a major revision of the Facility which would be inappropriate to the character and function of the IMF and would be strongly resisted by IMF members—including the developing countries which are expected to be its principal beneficiaries.

Finally, the general intent of the proposed legislation, in the sense of avoiding a deterioration in conditions of hunger and malnutrition, is already being served indirectly through the present arrangement. This is because the Facility provides a member with greater access to IMF resources to meet an overall balance of payments financing need and thus enables the member to sustain a higher level of imports, including food imports, than would be possible in the absence of the Facility.

Section 303.—Section 303 would require the Secretary of State in the case of developed countries and the Director of IDCA in the case of developing countries to determine whether a proposed food embargo would cause measurable malnutrition. If the finding were positive, an embargo would be prohibited unless the President determined it was "necessary to protect the national security interests of the United States." These provisions have already been enacted as part of the Export Administration Amendments Act of 1981 (Public Law 97-145). We therefore oppose them.

TITLE IV—BASIC HUMAN NEEDS AGREEMENT

Section 401-403.—The proposed provisions would require that the United States enter into either one or a series of basic human needs agreements which would set forth a commitment by the United States of a specified level of assistance, and commitments by the developing countries to equitable and self-reliant development. The developing countries would be required to agree "to undertake specified economic development measures directed toward meeting the basic human needs of (their) people." No bilateral development assistance would be permitted until such agreements had been concluded. We strongly object to these provisions and find they have several major deficiencies, as follows:

(1) A single agreement of this nature would most logically be a part of the bilateral agreement which AID enters into with recipient countries. However, these are very difficult agreements to conclude. Renegotiating all the existing AID bilateral agreements would be a complex and lengthy process. Under this provision, we would be required to terminate assistance to a country until such negotiations had been concluded. Additionally, the appropriations and programming processes make it impossible for AID to commit itself to a single, specified level of assistance for each country as a single agreement of this nature would require.

(2) The proposed provision also would permit a series of basic human needs agreements, which presumably could be a part of the individual bilateral loan or grant agreements. AID already requires that recipient countries make a commitment of resources toward the achievement of goals under each grant or loan agreement. We also try to obtain agreement by the recipient government that it will make necessary policy changes. However, it is often difficult for a country to agree to policy changes, particularly within the context of a single grant or loan agreement. The process is an on-going one, with commitments to economic development and policy change made gradually over several years. It is unrealistic to expect that AID could extract the degree of commitment contemplated in this proposal with the levels of assistance we have in most countries. Furthermore, the types of commitments described in this legislation, if required by AID, would undoubtedly be perceived by the LDC's as an encroachment upon their sovereignty.

(3) Such agreements would not be appropriate for all projects or programs under Part I of the Foreign Assistance Act. For example, expenditures of disaster assistance funds are not really amenable to parallel commitments

by the recipient country toward achieving specific basic human needs goals. It is unclear how under such circumstances one would apply the provision that no bilateral development assistance would be available until such basic human needs agreements were reached.

(4) Title IV also requires that quantitative indicators be used to assess the degree to which host countries are achieving the set objectives. In many cases, it would be impossible to link a particular project with measurable increases. The provision is thus unworkable if it tries to establish a link between country commitments to projects and achievement of quantitative objectives.

TITLE V—RELIEF AND PREVENTION OF STARVATION

Sections 501 and 502.—We do not disagree with the policy statements in these provisions that poverty is endemic and that steps should be taken to prepare for food shortages in Africa. However, we find the statement that, "United States development assistance too often fails to reach these poorest people," is harmful and inaccurate. The AID program was restructured in 1973 to assure that the neediest people were being targeted. This continues to be a major focus of the program. Additionally, AID is already taking measures to meet the food needs of sub-Saharan Africa. We therefore find these provisions to be inaccurate and unnecessary, and we oppose them for that reason.

Section 503.—This provision places increased emphasis on basic human needs and would require that not less than 50 percent of development assistance be used by the absolutely poor, as defined by the IBRD.

The policy portions of this provision are consistent with the basic human needs directives of Section 102 of the Foreign Assistance Act of 1961, as amended, which continue to provide an important focus for the AID program. However, it is not clear what impact the specific percentage requirements of the provision would have on the AID program. We do not believe that such statutory minimums should be set until their impact has been analyzed. The Agency itself has no figures for what its current compliance would be. We understand that Bread for the World estimates AID's compliance to be 25 percent of our current program. Although we do not agree with the accuracy of this figure, under such an assumption, AID would have to reprogram approximately \$210 million in fiscal year 1983. The costs of doing so would be significant; the impact on development and the lives of the poor, doubtful.

The Agency also estimates that the additional administrative costs of implementing this provision would be high, approximately \$45 million. In order to demonstrate compliance with such a narrow standard as "primarily used by the absolutely poor," AID would have to survey target populations carefully and monitor and evaluate project impacts scrupulously. Overseas personnel costs would rise commensurately.

In many cases, AID's ability to reach the 780 to 800 million people which comprise the absolutely poor is beyond its control, for political and other reasons. For example, 290 million of these people live in India. AID's development assistance program in India is not nearly comparable to India's percentage of the world's absolutely poor. The following countries where AID currently has no development assistance program also include a large percentage of the absolutely poor:

	<i>Millions</i>
Pakistan -----	32
Vietnam -----	25.3
Ethiopia -----	20.6
Nigeria -----	27.7

These four countries, together with India, Indonesia, and Bangladesh, comprise 70 percent of the world's absolutely poor.

Since the world's population of absolutely poor is so heavily concentrated in a handful of countries, in some of which we do not have a development assistance program, our actual program includes many countries which have a much smaller percentage of absolutely poor among their populations. Although we agree that targeting is particularly essential in countries which have a lower incidence of poverty, we do not think that we should target only to the "absolutely poor" in these countries. Such narrow targeting is very expensive and is not cost effective. We can have a greater impact at a relatively lesser cost by targeting at the poor as well as the absolutely poor in these countries.

Additionally, the implications of this provision are contrary to some of the Agency's experiences with the basic human needs program. The provision uses

the language "primarily used by the absolutely poor." These terms appear to emphasize resource transfers. They exclude university training programs, health and agricultural research programs, institution building programs, technology transfers, and many other programs which benefit but are not used by the absolutely poor. It has been AID's experience that these types of assistance are crucial to sustained development in all countries, even those which have a high percentage of absolutely poor.

In summary, we believe that the implications of the requirements of this provision are costly and would not increase the development impact of the AID program. At the very least, we believe that the ramifications of the proposal should be more fully explored before legislative action is considered. For these reasons, we oppose the provision.

Section 504.—This proposal would amend Section 302(c) of Public Law 480 to: (1) increase the aggregate value of all Title III agreements entered into for fiscal year 1983 and beyond to not less than 25 percent of the aggregate value of commodities and/or counterpart funds equal in value to five percent of all Title I of all agreements entered into under Title I; and (2) require that Title III commodities entered into fiscal year 1983 be used to establish grain reserves in "famine-prone African nations."

We support the intention of these provisions, which is to ensure that food assistance is provided to needy countries and achieves the greatest developmental impact. However, we find that the targets set forth in the provisions are unrealistic and, in some respects, would be counterproductive.

With respect to the proposed increase in the minimum for Title III agreements, food commodities are provided under Title III only when it is found that the recipient country will be able to use the commodities or currencies generated therefrom in mutually agreed upon projects or programs designed to help achieve development goals. The U.S. Government can only respond to country requests for Title III programs and can only approve programs which demonstrate a significant new developmental effort. Many otherwise eligible countries do not appear interested in such a program; others have not demonstrated the capacity to design and implement a significant program. Thus, in the last analysis, the number and scale of Title III programs that are eventually approved are outside of our control, and to mandate a higher level of such programs would be counterproductive. It is also important to note, however, that the Executive Branch believes that in appropriate circumstances Title III can be a particularly useful developmental tool. We consider the current 15 percent target a minimum, not a maximum, and will endeavor to exceed that level if the quality of program proposals so warrant.

Additionally, since Title III agreements often represent multi-year commitments, the proposed legislation would require a substantially larger portion of the Public Law 480 budget to be committed in advance. Any reductions in Public Law 480 budget levels in the years after 1983, therefore, would impose a disproportionate penalty on countries which have legitimate food needs but have not negotiated a Title III agreement. The need for flexible programming is particularly important during periods of severe budgetary constraints. For the above reasons, we oppose any increase in the proportion of Title I earmarked for Title III.

The legislation also proposes an earmarking of Title III commodities or local currency generations equal to five percent of the value of all Title I agreements to establish grain reserves in famine-prone African countries or to take other steps to prepare for food shortages in those countries. Although we are sympathetic to the goal, the proposed amendment is too restrictive.

First, five percent of all Title I commodities would represent approximately one-third of the Title I/III resources currently allocated to Africa, or \$35 million out of \$100 million, which would be a large percentage of Africa's Public Law 480 resources to devote to grain reserves. However, the legislation requires that this amount of local currencies or commodities from the Title III program alone be used for this purpose. Title III programs are currently in place in only two African countries—Sudan and Senegal. The total value of these agreements in fiscal year 1982 is approximately \$27 million. It therefore would be impossible to comply with the proposed provision unless there is a significant increase in Title III agreements in Africa. As demonstrated above, that is a difficult objective to achieve. Moreover, under the current circumstances, only the two African countries with Title III programs would be affected by the legislation, and their programs would lose all flexibility. As drafted, therefore, the legislation would not achieve its own objectives.

Applying the provision instead to the Title I program would raise other difficulties. This is still a large percentage of Africa's food resources to devote solely to grain reserves, if the food resources themselves were used to comply with the proposed provision. The likely result would be that current food needs would be unmet in order to establish grain reserves. Applying the provision to Title I local currency generations creates another problem, since the U.S. does not own these currencies. Although AID does influence the programming of these currencies in many countries, an absolute requirement to use Title I generations for specific purposes is inappropriate given the fact that these funds are owned by the recipient country based on a Title I loan which that country must repay.

The proposal is thus unworkable as written. Even if the dollar requirement were reduced, the proposal would still be undesirable. It would further increase the complexity of the Title III program, a program which is already difficult to implement.

Second, and most important, the proposed legislation focuses almost entirely on the creation of grain reserves, which are not necessarily the most cost-effective mechanism to protect against food shortages. The severe food shortages experienced in the Sahel have resulted in analyses of the most viable means of preventing a recurrence of that disaster. This Agency has been actively involved in seeking solutions to this problem. Most experts agree that long-term food security requires increased agricultural production in these countries. AID's programs in African countries (as elsewhere) concentrate on that objective.

There is less agreement over the effectiveness of various short-term solutions. Physical grain reserves may be most appropriate in some countries, while financial reserves (such as provided by the IMF Cereal Financing Facility) may be more appropriate in other circumstances. Often, large grain reserves are not most appropriate; they are very difficult and costly to maintain, particularly in less developed countries. A report recently published by the International Food Policy Research Institute ("Food Security in the Sahel: Variable Import Levy, Grain Reserves, and Foreign Exchange Assistance," Research Report 26, by John McIntire) examined the question of short-term solutions to food security in the Sahel. The attached table from that report (Tab A) demonstrates the greater cost of providing short-term food security solely or mainly through physical reserves in contrast to either of the two financial assistance schemes discussed.

The author also points out that one of the major problems in providing food security is not just the availability of food but the ability to transport this food and distribute it among the needy populations. Grain reserves alleviate one aspect of the transportation problem, that is, the need to get the grain to the country. However, they do not necessarily solve the in-country transportation and distribution problems, which in most cases are serious. Unless these problems are solved, famine may still occur in a country which has ample national grain reserves. Undue emphasis on grain reserves may result in neglect of these equally important constraints to food security.

The conclusions of this study of the Sahel are that appropriate food reserves may be an important mechanism for ensuring food security. However, food reserves are only one aspect of the food security problem, and are not always the most cost-effective solution to the problem. Donor countries should focus equal, if not greater, attention on the other constraints to food security and on their ability to assure sufficient and timely assistance in emergencies.

The problems of food security are complex. AID has tried to address this problem through a variety of programs, including its bilateral programs and Public Law 480. In cases where it is appropriate, AID has supported the establishment of grain reserves located in the developing countries. In other cases, the U.S. Government has supported means to assure financial assistance for food purchases, as with the IMF Cereal Financing Facility. Yet another response has been to guarantee that 300,000 tons of U.S. Government-owned, privately-held wheat will be available for disaster relief in any one year regardless of U.S. domestic conditions. An earmark of Public Law 480 commodities or local currency generations is a simplistic response to a complex issue. It results in the complication of a program which is already encumbered by a variety of requirements and considerations without really contributing to the solution to the food security problem in a meaningful way. We therefore oppose the proposed amendment.

TITLE VI—PEACE CORPS PROGRAMS AND PROJECTS

This provision directs that the Peace Corps emphasize projects which encourage agricultural self-sufficiency. We do not oppose this provision.

Figure 3
Costs of keeping consumption levels from falling
5 percent below trend with reserve stocks and
food insurance

Reserve stocks
 (1,000 metric tons)

Chad
 (90)

Gambia
 (35)

Mali
 (350)

Mauritania
 (80)

Niger
 (500)

Senegal
 (500)

Upper Volta
 (400)

■ Grain reserves (including interest cost)
 ■ Import insurance
 ■ Net export insurance

U.S. \$ million 0 20 40 60 80 100 120

Insurance schemes utilizing existing stocks would be half to a quarter less costly than relying on reserve stocks alone, resulting in a savings to the seven countries of about \$200 million.

Source: FAO

Question 3. A year ago, the Administration pledged the largest Western contribution at the International Conference on Assistance to Refugees in Africa. A combination of drought, political strife and other factors produced massive hunger problems in Africa, especially East Africa. Would you discuss current conditions in these areas?

Answer. I am pleased to report that both the refugee and hunger problems in Africa, particularly in East Africa, are better now than they were a year ago.

The large-scale refugee emergency program in Somalia, which had been exacerbated by highly unusual floods last Spring, has stabilized. While there are still approximately 650,000 refugees in camps in Somalia, the GOS and donors have now set up a reliable system for delivering food and other needs to the refugee camps. The system is working well. AID is now beginning efforts to help make the refugees in Somalia, as well as other African countries, more productive and less of a burden to the host country and donor community.

Good rains throughout much of Africa during last year's planting and growing seasons have produced good crops in most African countries. Zimbabwe, for example, produced a record harvest and more than one million tons of cereal is available for export to food importing countries in Africa. There is no massive hunger problem in Africa this year although there are several countries we are already supplying with emergency food aid, and others where we are attempting to quantify the need or that we are watching closely. Countries in the former category include Cape Verde, Chad, Madagascar, and Niger. Countries in the latter category include Botswana, Guinea-Bissau, and Tanzania.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR
THE RECORD

Question 1. We understand that the Administration has been exploring possible ways in which the United States could assist in the education of disadvantaged South Africans. How are these efforts progressing?

Answer. Congress has earmarked \$8 million for fiscal year 1982 and fiscal year 1983 to provide undergraduate scholarships for educationally disadvantaged black South Africans to study in the United States. The \$4 million allocated for fiscal year 1982 has been transferred to the International Communication Agency (ICA). ICA is negotiating grants with the Institute for International Education (IIE) and the American-African Educational Foundation (AAEF) who will select approximately 100 students and bring them to the United States to begin studies in September. This program will also seek additional private sector and university financial support designed to increase the number of students who will benefit from it.

In the field of in-country aid to black South African education, funding has been allocated for continuation of two existing programs. The San Diego Project, which is involved in enhancing pre-university preparation for black students, is receiving \$300,000 in fiscal year 1982. The special self-help allocation for South Africa has been increased from \$40,000 to \$150,000 in fiscal year 1982, with the bulk of the increase to be spent on community action level education projects in the disadvantaged sector.

In addition, we are actively considering other possible ways of extending aid to South Africans disadvantaged by apartheid, which may include, e.g., non-governmental programs in teacher upgrading and management training. In exploring program possibilities, we are determined not, repeat, not to work through any organization which administers or reinforces the apartheid system.

Question 2. Does the administration plan to seek repeal of the Clark amendment as part of this bill? As a separate bill or amendment to some other piece of legislation?

Answer. The administration continues to favor repeal of the Clark amendment as a matter of principle as part of our effort to remove unwarranted restraints on the ability of the President to conduct foreign affairs. While we have not included Clark amendment repeal as part of this bill, we may choose to seek repeal at a later date through appropriate legislation.

Question 3. Could you comment on how the Administration views recent events in Zimbabwe? In light of these developments, is the continuation of our very significant ESF program still fully justified?

Answer. Recent events in Zimbabwe, such as the call for a one-party state, the clampdown on press freedom, and the attempt to muzzle political opposition, are of considerable concern to us. On the other hand, however, we are encouraged by the fact that solid internal dialogue is developing within Zimbabwe society. Mr. Mugabe's recent appointment of two whites and several ZAPU party members to substantive Cabinet posts supports his strategy of reconciliation and increased communication.

The basis of our commitment to Mr. Mugabe as a force for moderation and a solid bulwark in the region remains valid. The GOZ is aware of the substantial contribution we are making toward Zimbabwe's development and has made excellent use of U.S. assistance to date.

Mr. Mugabe considers the U.S. one of Zimbabwe's most important friends. We believe that the positive approach he is taking to our efforts to work with parties in the region to reach a settlement in Namibia and to improve overall conditions of security in southern Africa reflect the warm and friendly relations that exist between our two countries and justifies continuing our present levels of economic support for Zimbabwe. Our involvement there is viewed by Zimbabweans as honorable and constructive.

GHANA

Question 4. In view of the apparently deteriorating situation in Ghana since Jerry Rawlings overthrew a pro-West, democratically elected government last January, why is the Administration proposing almost \$20 million in foreign assistance for that country in fiscal year 1983?

Answer. Ghana's historic political instability is rooted in the failure of successive governments to deal effectively with major structural economic problems. Real per capita income has fallen nearly 30 percent from 1974 to 1981. It was the failure to arrest this decline that undermined the democratic government of Dr. Hilla Limann and created the *raison d'être* for the coup. We are, of course, concerned when any democratically elected government is overthrown. That happened in Ghana and we cannot change what happened. It seems to me it is in our interest in the present situation to do what we can to ensure that Ghana returns to a democratic process. This, at least in part, depends on economic recovery, which would improve the prospects for the success of any future democratic government. We want to help that process.

Continued deterioration of Ghanaian conditions would provide an inviting target of opportunity for countries, such as Libya, which traditionally "fish in troubled waters" and could have a destabilizing effect on Ghana's moderate West African neighbors.

The new government's foreign policy is in flux and it is still trying to develop a policy to cope with its economic crisis. The Ghanaian government has reestablished a relationship with Libya and hopes for substantial economic aid. However, given the Libyans' poor record of fulfilling aid promises, and Ghana's proud tradition of nationalism, we expect Ghana will avoid allowing Libya to gain an undue influence over its policy. Ghanaian officials have told us they want a constructive relationship with the United States and will pursue a nonaligned policy. We are carefully watching whether Ghanaian deeds match these words and are monitoring Ghana's human rights performance which so far has avoided the excesses that followed the coup of 1979. Our policy is to encourage respect for human rights.

We believe our fiscal year 1983 foreign assistance proposal will enable us to engage in a constructive dialogue with Ghana's new rulers on economic policy, at an appropriate time, and give us the flexibility to contribute—with other traditional donors and international financing institutions—to what we hope will be a bold Ghanaian economic reform effort and eventually a stable democratic system. We believe this is the best way to support moderation, human rights and political stability in Ghana.

Question 5. Could you comment on the relationship between Zaire and the French Government of President Mitterand? Some observers have suggested that there is uncertainty as to whether France is likely to intervene again in Shaba.

Answer. After some coolness in the period right after President Mitterand's election, French-Zairian relations seem now quite good. The turning point in this regard appears to have been President Mobutu's attendance at the francophone African summit in Paris in the fall of 1981 when he met with a number of senior

French officials, including President Mitterand. The next Franco-Africa summit will be held in Kinshasa this fall. You will recall that the reason given by the French Government in 1978 for the direct intervention by its paratroopers was to rescue the expatriate population of Kolwezi in Shaba from massacre by invading forces—not to repel the invaders. The French subsequently provided support to the inter-African force which remained in Shaba while order was restored and the French and Belgians trained new Zairian military units to assume the security burden there. The French Socialist Party now in power criticized some aspects of the French intervention in 1978 and was critical of what it characterized as too much emphasis on military means in France's Africa policy generally. It is of note that French military advisors remain with the brigade they trained in Zaïre in about the same numbers as under the previous French administration and we have no reason to believe the current French Government plans to reduce its level of military assistance to Zaïre.

Question 6. The Administration's plans for fiscal year 1983 include an increase in FMS and ESF for Liberia. Would you comment briefly on developments in Liberia since the coup? How is the country coping with its economic problems?

Answer. Although the situation in Liberia remains fragile, we believe the government has made progress on both the economic and political fronts. Politically, the People's Redemption Council is now a more unified and better directed group than at any point in the past. Head of State Doe has appointed a new team of cabinet ministers, most of whom are capable technocrats rather than politicians. On December 23, 1981 he announced the release of all political prisoners and declared a general amnesty for all Liberians in exile (with only two exceptions—former Vice President Bennie Warner and former True Whig Party head Clarence Simpson). At the same time he announced a firm date for the return to civilian rule, April 12, 1985. A constitutional commission is presently drafting a new constitution in preparation for the return to democracy. Internationally, Liberia has consistently taken moderate, pro-Western positions, notably on the Middle East and the Western Sahara.

The economic situation is still the area of greatest continuing difficulty for Liberia. Business confidence was badly shaken by the coup. Declining export earnings, large increases in government salaries in the immediate aftermath of the coup, and capital flight have all taken a toll. While the economy has not yet recovered, some progress is underway. The government has begun to move away from the recurring fiscal crises it faced in the months following the coup. It has undertaken a number of difficult measures aimed at increasing revenues and controlling expenditures, notably removing the subsidy on rice and raising taxes. An IMF standby facility has helped to stabilize the economy and Liberia now has the best record in Africa of compliance with an IMF program. Business confidence is beginning to return and the possibility exists of major new investments in iron ore, uranium, agribusiness and oil exploration.

[Whereupon, at 11:10 a.m., the committee adjourned, to reconvene at 9:30 a.m., Monday, April 26, 1982.]

FISCAL YEAR 1983 AID LEVELS FOR ASIA

MONDAY, APRIL 26, 1982

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 9:38 a.m., in room 4221, Dirksen Senate Office Building, Hon. S. I. Hayakawa presiding.

Present: Senators Percy, Hayakawa, and Glenn.

Senator HAYAKAWA. Good morning. This hearing has been called to examine the administration's request for foreign assistance for fiscal year 1983. Our administration witnesses this morning are Mr. Thomas Shoosmith, Acting Assistant Secretary of State for East Asian and Pacific Affairs, Mr. Robert Halligan, Director of the Office of Development Planning of the Agency for International Development, Asia Bureau; Mr. Charles Jameson, Deputy Division Chief of the East Asian Division, Defense Security Assistance Agency, Department of Defense.

This afternoon at 1:30 this committee will hear from nongovernmental witnesses.

Last year this committee decided to authorize foreign assistance for 2 years—fiscal years 1982 and 1983. The full Senate agreed with our decision and both Houses passed a 2-year authorization bill with funding for the 2 years at essentially the same levels.

The administration now has decided that funding levels already authorized for 1983 are insufficient and has come back to us to request additional funding. Today we will expect our administration witnesses to explain in a comprehensive manner the need for these increases. The burden of proof lies heavily upon those requesting increases in foreign assistance at a time of severe fiscal austerity.

The administration also has requested in this bill legislative changes to remove prohibitions against foreign assistance to the People's Republic of China. This is another area which we will want to explore thoroughly with our witnesses this morning as well as this afternoon.

Gentlemen, we would like all three of you to summarize your prepared statements, and then we will move to questioning. Mr. Shoosmith, would you care to begin?

STATEMENT OF THOMAS P. SHOESMITH, ACTING ASSISTANT SECRETARY FOR EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE

Mr. SHOESMITH. Thank you very much, Mr. Chairman. I am very pleased to be here to give you and the other members of the committee

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some of the highlights concerning some of the formal statement, Mr. Chairman, which we submitted last Friday, and then to try to answer whatever questions you may have.

Certainly given the very tight budget constraints and the global reach of our security concerns, the Congress, together with the administration, now confronts some very difficult choices in assigning priorities in our security assistance program. In shaping the program for East Asia, therefore, we have been very mindful of the need for a very careful, meticulous allocation of resources to priority policy goals.

This is reflected in the fact that in the East Asian region, notwithstanding the great importance of that region to us in terms of political and strategic and economic concerns, the East Asian region will receive only some 6 percent of the total request. We recognize, of course, that comparatively speaking our friends and allies in East Asia are economically stronger and they are in some respects better off in security terms than are those in other regions.

With the exception of a very small IMET program for Fiji, we are proposing no new military assistance programs in the East Asian region. We are proposing, however, modest increases totaling some \$93 million over fiscal year 1982, primarily in the areas of military assistance and this chiefly in the form of FMS credits to Korea and Thailand, the two frontline states in the region.

I believe that our proposed program constitutes a balanced and integrated approach, taking into account the political as well as the economic aspects of security together with the military—a balanced approach which we believe will continue to support our national security goals in the region.

I would like now, Mr. Chairman, if I might, to review briefly those goals. First, is to support our significant security treaty relationships in the area which, as you know, include in addition to Japan, Korea and the Philippines, Thailand and the ANZUS relationship. It is important that we be able to continue to demonstrate a willingness and ability to meet our commitments in the region and to assist our treaty partners across the board in their efforts to strengthen their own security capabilities.

Second, is to promote a peaceful solution to regional rivalries in the area because forestalling armed conflict in this area is obviously, I think, more cost effective, if I may put it that way, than becoming embroiled; or being perceived as unwilling to become engaged where there are significant interests of friends and allies that are involved.

We, therefore, have a direct and important interest in supporting the efforts of the Republic of Korea to stimulate a dialog with North Korea in an effort to lower tensions as well as an important interest in supporting the efforts of the ASEAN countries to achieve a peaceful resolution of the conflict in Kampuchea.

A third important goal is to cope with the growing military threat posed by the increase in Soviet capabilities and deployments in the Western Pacific and East Asian region as a whole, as well as the threat to South Korea posed by North Korea with its continuing effort to increase its military capabilities and the threat posed to Thailand from Vietnam. Stability on the Korean peninsula is vital and depends on strengthening South Korean armed forces.

The North continues to retain a large advantage both in ground and air forces and the time to address that imbalance certainly is now. Korea is one of the two East Asian countries for which we have requested a significant increase, although this increase is almost entirely in guaranteed credits which will not require further budget outlay. The increase reflects the gravity with which the administration views the military imbalance on the Korean peninsula and the fact that funding shortfalls are impeding urgently needed force improvement programs.

I might add, Mr. Chairman, although it is not in my prepared statement, that the Korean acceptance of a \$55 million product improvement program to upgrade one of their existing air defense systems which they had requested has been put into some question because of a shortage of funds and this was one of the key considerations that led the administration to include Korea as one of the few countries that we included in our request for a supplemental appropriation for fiscal 1982.

I might also add, and this was something that was impressed upon Secretary Weinberger at the time of his visit to Korea in March, that Korea is now paying back to us some \$254 million on previous loans and those repayments exceed what we were able to provide Korea in fiscal year 1982—a \$166 million program.

Thailand is the other country for which we seek a significant increase in fiscal year 1983 and is also included among the countries for which we have proposed the supplemental appropriation this year. It plays, as you know, a key role in seeking a peaceful resolution of the Kampuchean problem. Vietnamese force improvements and increased activity in the area along the Kampuchean-Thai border make, in our view, added support in fiscal year 1983 imperative.

A fourth major goal is to assure our access to strategic military facilities and this applies most particularly to our program in the Philippines with the importance that Clark and Subic have for our ability to deploy U.S. forces which are an important aspect of maintaining a credible deterrent posture in the Western Pacific.

Another major goal is to assure access to significant commercial markets in the area. It has been said many times, Mr. Chairman—and I know you are very familiar with the figures—that this area of East Asia has for sometime exceeded in its total volume of trade that which we have with Western Europe; and the ASEAN countries alone are host to some \$5 billion of U.S. investments.

ASEAN alone is our fifth largest trading partner, so we have very significant commercial interests in this area in terms of access to markets, as well as to raw materials.

A final major objective, of course, is to reduce economic and social disorder and disintegration in the area. I think one needs to consider the social and economic aspects as part of the totality of a security problem. Stable and friendly governments certainly can serve as a force for peace and development.

Finally, I would like to comment just briefly, Mr. Chairman, on the point which you have raised on the interest of your committee in our proposals with respect to China. U.S. policy reflects the fact that we consider China to be a friendly country. The President last year decided that we should amend those laws which arbitrarily and

anachronistically grouped China with the Soviet Union and the Soviet bloc.

The foreign aid bill, therefore, contains two proposals to end such discriminatory treatment—elimination of the prohibition on foreign assistance for China and clarification that China is not ineligible for Public Law 480 programs. These are important proposals designed to bring our laws into line with our critically important relationship with China and begin to treat China just as we do any other friendly country.

Mr. Chairman, this concludes my summary. I would be glad to take any questions.

[Mr. Shoemsmith's prepared statement follows:]

PREPARED STATEMENT OF THOMAS P. SHOESMITH

Mr. Chairman and Members of the Committee: I am pleased with the opportunity to present our fiscal year 1983 budget request to the U.S. Senate and explain its relationship to U.S. interests in the Pacific and how it serves these interests by meeting the needs of regional states and institutions. I will also explain the importance the Administration attaches to the proposed legislative changes on China.

U.S. INTERESTS IN EAST ASIA AND THE PACIFIC REGION

The U.S. assistance programs for East Asia are designed to serve our many national interests in this area which has long been important to our safety and well being. The friendship, treaty and commercial relationships that serve us so well today must be maintained and strengthened for tomorrow. Current trouble spots elsewhere on the globe enhance the political, strategic and economic importance of the Pacific region to the United States.

Basically, we must preserve U.S. access to the people, resources and oceans of East Asia. Similarly, it is the desire and in the interest of most East Asians to preserve their access to the people and resources of the United States. Thus, it is in our common interest to maintain mutual access in the face of direct threats by the Soviet Union and its Allies or as a result of regional rivalries. This requires a relatively small expenditure of U.S. security assistance resources now in order to avoid a much greater expenditure later to redress a deteriorating situation. Our foreign assistance request for East Asia represents the minimum levels to address our key concerns for the region. Specifically, we must:

First, protect our network of significant treaty relationships in East Asia. We have bilateral security treaties with Japan, Korea and the Philippines. The United States and Thailand are signatories to the Southeast Asia Collective Defense Treaty (Manila Pact) and both countries agreed per the Rusk-Thant communiqué in 1962 that the pact can be interpreted bilaterally as well as multilaterally. Thus, we could expect that Thailand would invoke the Manila Pact if it were to come under heavy military pressure from Vietnamese forces in Kampuchea. Our security relationship with Australia and New Zealand is embodied in the ANZUS pact.

Second, continue our efforts to promote peaceful solutions to regional rivalries, recognizing that if armed conflicts erupt they may lead to wider war involving allies or friends of the regional parties to a conflict.

Thus, we support recent efforts by the Republic of Korea to stimulate a dialogue with the North. Given North Korea's continued insistence on a change of Government in the South and American withdrawal as prerequisites to progress, only a strong, confident South Korea can sustain peaceful overtures to the North. Although it is difficult to predict future northern responses to southern efforts, it is certain that the south must remain strong if it is to have any hope for a positive response from the north.

We support ASEAN efforts to seek a peaceful resolution of the Kampuchean problem based on the declaration of the United Nations sponsored international conference on Kampuchea which called for Vietnamese withdrawal and Khmer self-determination. Only a strong, confident Thailand can continue to play its current constructive role as the ASEAN front-line state around which the other ASEAN states and most of the international community have rallied.

Third, cope with growing military threats from and subversive efforts by the Soviets; as well as the continuing threat to South Korea from North Korea and to Thailand from Vietnam.

Maintenance of stability on the Korean peninsula depends upon strengthening the South Korean armed forces to balance the large and well-equipped forces of North Korea. The security of the entire North Pacific would be seriously impaired if the Korean balance were upset.

Some acceleration of Thailand's armed forces modernization program is essential considering Vietnam's recent force improvements in Kampuchea and increased activities against resistance forces located near the Thai border.

Protection of key sea lanes of communication in the region and those that link East Asia to the Indian Ocean and the Middle East is crucial to U.S. security. This aspect of U.S. security warrants special attention given the Soviet's increased ability to threaten the sea lanes and thereby deny Middle Eastern petroleum to our major East Asian allies.

Fourth, assure continued access to strategic military facilities. In the context of the aforementioned threats, a strong U.S. military presence in East Asia is essential. And unhampered use of military facilities, such as those in the Philippines, is an essential component of this presence. In turn, our assistance program is an integral part of our good relations with the Philippines on which effective use of these facilities depends.

Fifth, assure continued access to significant commercial markets and basic raw materials. East Asia's rapidly growing economies and their ties to the United States are of increasing importance. Trade with Asia has long exceeded that of Europe or any other continental grouping. The five ASEAN nations alone constitute our fifth largest trading partner and are home to \$5 billion of U.S. investment.

Finally, continue to work with host governments to reduce the economic and social degradation that spawns domestic violence and invites external intervention.

Stable, friendly governments can serve as forces for peace and development in the region and act to further our common global security.

Self-confident governments will be more inclined to improve their human rights situations. The United States recognizes that abuses undermine governmental legitimacy and often become a destabilizing factor tending to vitiate other components of our strategy.

The region is an increasingly prosperous trading partner, albeit one still afflicted with potentially destabilizing pockets of poverty and economic inequity. Thus, the development assistance, Public Law 480, and economic support funds proposed for the region should be seen as a cost-effective investment in our own economic future.

REGIONAL PROGRAM OVERVIEW

Conceptually, fiscal year 1983's military and economic development assistance programs are integrated components of a single strategic package. All components are directly related to U.S. strategic interests in the Pacific and Indian Oceans, but my remarks today concern primarily military assistance, and the rationale for increases requested in the FMS, IMET and ESF programs which we have proposed for fiscal year 1983.

The only significant increases are proposed for our two front-line states: Korea and Thailand.

The preponderance of military assistance program resources is allocated to countries facing the greatest and most immediate military threats (Korea and Thailand), or in the case of the Philippines providing military facilities from which to deter or resist aggression. Thus, these three countries receive some \$416,350,000 or 86 percent of the total \$482,650,000 FMS, ESF and IMET funds proposed for East Asia. Inclusion of the \$950,000 in MAP funds to meet the costs of completing former MAP programs would not change the percentages since the same three countries should receive all but \$100,000 of the total funding proposed.

The largest recipients of economic assistance (development assistance and Public Law 480) include the Philippines and Thailand, as well as Indonesia which occupies a key strategic location and is the poorest country in ASEAN. They receive some \$173.2 million or approximately 88.9 percent of the \$194.8 million proposed for the region.

The total amount of U.S. assistance proposed for East Asian countries in fiscal 1983 (FMS, ESF, MAP, IMET, development assistance and Public Law 480) is approximately \$677,500,000, an increase of \$93.580 million over fiscal year 1982.

Most, that is \$87,380,000 of the increase, is for military assistance. Most of this increase is for Foreign Military Sales credits to assist Korea and Thailand. The two most threatened countries, to cope with the combination of serious military threats and increasing defense procurement difficulties. Thus, the increases requested are in response to the growing threat from the Soviet Union, North Korea and Vietnam. Some additional specifics may help put the request in perspective:

Our FMS request of \$413.5 million for the region is an increase of \$80.5 million over the final fiscal year 1982 allocation of \$333 million. However, it exceeds our original CDP request of \$355 million by only \$58.5 million, and by less than this in real terms of course. As I will discuss shortly, these modest increases afford minimum levels to redress risky shortfalls in two principal strategic areas—Northeast and Southeast Asia.

Our IMET proposal of \$9.150 million is an increase of \$2.38 million over the final fiscal year 1982 level of \$6.770, but an almost negligible increase of only \$230,000 over the original CPD request of \$8.920 million. The IMET program is one of the most cost-effective assistance programs in that relatively small sums of money effectively enhance our bilateral relationships and the military security of friendly countries as they learn to use their military hardware. The program is proving even more effective as friendly countries increase enrollments in response to the cost reduction amendment which you co-sponsored Mr. Chairman.

Our ESF request of \$60 million represents an increase of \$4.5 million over the \$55.5 million in the final allocation for fiscal year 1982. Actually this is an increase of \$4 million in country programs since \$500,000 of the fiscal year 1982 program is for a one-time oceanographic project.

I should mention that straight cash sales of military equipment far exceed our assistance programs. The estimated level of such sales for fiscal year 1982 is \$4470.5 million, and for fiscal year 1983 is \$2330.5 million.

NORTHEAST ASIA

Korea

Continued peace and stability in Northeast Asia is crucial to the security and prosperity of the United States. Deterrence of North Korean aggression against South Korea is the essential ingredient of peace and stability.

Despite dramatic improvement in the ROK economy during the past 20 years the need for U.S. support remains. The buildup of military forces by North Korea continued unabated during the past year. However, because we have improved our own force capability and assisted the South Koreans to do the same, the balance has not deteriorated.

Nevertheless, a dangerous imbalance persists on the peninsula. North Korea now has a decided advantage in numbers of combat divisions, tanks, artillery and armored personnel carriers, and a two to one numerical superiority in fighter aircraft. Moreover, it has shown an increasingly sophisticated ability to mount the sort of complex, large scale maneuvers which would be required for an invasion of the South. In sum, North Korean capabilities have become steadily more formidable, and increased efforts on our part are required.

Korea already spends some 6 percent of its GNP on defense at considerable sacrifice to private investment and consumption. Our proposed program of \$210 million in FMS credits for Korea, an increase of \$44 million over fiscal year 1982, is the largest dollar increase requested for any East Asian country. However, it is very modest considering Korea's large military purchasing requirements, the funding shortfalls of previous years, and the military environment on the Korean peninsula.

The requested increase is essential to allow the Koreans to address the dangerous military imbalance on the peninsula, and keep their now lagging force improvement plans on schedule. Seoul needs immediately increased assistance to facilitate the purchase of a number of major systems including: A further increment in the F-5E/F coproduction program. A tactical air control package, an indigenous tank production program, M88A1 tank recovery vehicles, TOW missiles, and Hawk surface-to-air missile modification equipment.

The proposed IMET program of \$1.85 million which is an increase of \$450,000 or 32 percent, is essential to accelerate improvement in the interoperability of ROK and U.S. forces and the commonality of U.S.-ROK tactics and doctrine. Moreover, the ROK has urgent requirements to develop expertise for the management of its increasingly complex defense establishment.

SOUTHEAST ASIA

Because Southeast Asia is poorer and more heterogeneous than the Northeast, U.S. assistance is spread among a number of recipients and tailored to our policy and program requirements.

Philippines

The United States and the Philippines are treaty allies and share similar views on the strategic challenges to peace and stability in Southeast Asia.

U.S. military facilities at Subic Naval Base and Clark Air Base are of major strategic importance to us. Their advantageous geographical position helps facilitate our military operations in two key areas of the world: The Western Pacific and the Indian Ocean.

ESF and FMS levels for fiscal year 1983 are the same as for fiscal year 1982. They reflect President Carter's pledge to President Marcos at the time of the 1979 Amendment to our Military Bases Agreement that the U.S. Administration would make its "best effort to secure \$500 million in security assistance for the Philippines during the period fiscal year 1980-84. We have honored this commitment, only through the cooperation of the Congress over the past three years in giving currency to this pledge. We consider your support for our fiscal year 1983 request for \$100 million in FMS and ESF to be most important.

The 1979 Amendment to our Military Bases Agreement has worked well. As called for in the Amendment, the United States and the Philippines will hold a formal review of the entire Bases Agreement in 1983/84.

In addition to military assistance, we have requested \$38.8 million in development assistance and \$14.2 million in Public Law 480. A significant portion of the Philippine population subsists at levels below the World Bank's poverty line. Rural problems are being exploited by the Communist New People's Army. The government is attempting to improve living standards and generate employment in rural areas. Our assistance program focuses on agricultural production, rural employment and family planning, and thus, complements the government's efforts. It was understood at the time we negotiated the 1979 MBA amendment that we would maintain the 1979 level of development assistance through 1984.

The only proposed Military Assistance Program increase for the Philippines is in IMET—an increase of \$300,000 to a total of \$1.3 million. While not a part of our Military Bases Agreement (MBA) with the Philippines, IMET is closely related to it. At the time of the 1979 MBA Amendment, Secretary Vance wrote Foreign Minister Romulo that "we will support those efforts (to achieve military self-reliance) by means of our security assistance programs including the important training component." The Armed Forces of the Philippines have always put a premium on IMET training. Moreover, the Philippines Armed Forces faces a growing challenge from the New People's Army insurgency, which if unchecked, could jeopardize our strategic military facilities at Clark and Subic.

Thailand

Thailand's continued independence, territorial integrity, and stability, free of any dominating influence by an unfriendly power, are central to the stability of Southeast Asia and to the unity of ASEAN and is a prime objective of U.S. policy in the region. U.S. leaders, including President Reagan, have restated our commitment to Thailand under the Manila Pact and have made clear our continued support for Thai security needs.

Like the Philippines, Thailand is a treaty ally, and is also the ASEAN front-line state. We have requested \$50 million in direct credits and \$41 million in guaranteed credits for Thailand's FSM program. This is an increase of 36 percent or \$24 million in overall FMS levels. And would substantially increase the concessionality compared to the fiscal year 1982 Thai program. However, the increases requested for fiscal year 1983 represent a mere \$10 million over the original fiscal year 1982 CPD levels with the same level of concessional financing as originally requested for fiscal year 1982. Although we were able to increase assistance in fiscal year 1982, we were able to provide only \$101 million of the \$132 million requested in FMS, ESF, IMET and development assistance funds.

During the past year, Vietnamese forces in Kampuchea have improved their command and control capabilities and have increased their operations in the border area against Kampuchean resistance forces. Thus, Thailand's force modernization requirements have become even more urgent, in both the military and political sense.

Militarily, the proposed FMS program increase will make a significant contribution toward the purchase of artillery, tanks, anti-tank weapons, coastal patrol boats, transport aircraft, helicopters, air defense systems, and mortar locating radars. These are practical items that can have an immediate effect in deterring or raising the costs of Vietnamese encroachments into Thai territory.

The political effect of the proposed program is at least as significant as the military benefits that will accrue to Thailand. This is because Thailand's security, as our own for that matter, depends not on its armed forces alone, but on its international position and relationship with friends and allies. The ASEAN countries regard our support for Thailand as the litmus test of our commitment to support them and to maintain our status as a Pacific power. By assisting Thailand. We are promoting our relationship with ASEAN, and our overall position in the region as well.

Our FMS concerns for Thailand focus on two factors:

- (1) *Overall levels.*—The importance of which I have just discussed; and
- (2) *The degree of concessionality.*—We have proposed direct credits in order to assist Thailand to cope with a short-term balance of payments problems while sustaining sufficient economic growth to maintain internal stability.

Prudent management requires that the Royal Thai Government (RTG) take steps to halt the growth of debt to avoid serious near-term debt service problems. One such step has been the RTG decision to forego commercial borrowing to purchase defense equipment and services. Our provision of direct credits would reinforce this sound decision while enabling force modernization to proceed. Furthermore, direct credits will eventually be returned to the U.S. taxpayer while other formulations including MAP funds will not.

The \$28 million development assistance proposed for Thailand is designed to promote growth in the private sector as well as to assist Thai Government efforts to reduce poverty and accelerate rural development in politically sensitive backward areas, particularly northeast Thailand. The Thai Government recognizes that underdevelopment and unacceptable income disparities are a threat to Thai security and accords the highest priority in its budget to development.

The \$10 million in ESF requested for Thailand equals the original CPD request for fiscal year 1982. Thai cooperation with our refugee and Khmer relief efforts are pillars of U.S. strategy on Cambodia. The requested ESF levels provide the minimum funding needed to induce continued Thai cooperation on refugee and Khmer relief related issues.

Finally, Mr. Chairman, I know that you have been particularly interested and helpful in regard to the international military training program. This year our requested increase of \$750,000 or 52 percent in Thailand's IMET program to a level of \$2.2 million is essential to support the crucial military modernization efforts undertaken by the RTG. Historically, Thailand makes full use of its IMET funds; during the first quarter of fiscal year 1982, Thailand has already obligated over \$1.2 million of its \$1.450 million allocation.

Indonesia

We are proposing increasing our FMS and military training in Indonesia because of its strategic importance and to bolster its defenses against an increasing Soviet military presence in Southeast Asia.

Indonesia has the world's fifth largest population, a strategic location, provides 6 percent of U.S. petroleum imports, and generally plays a moderate role in the NAM, the Islamic Conference and OPEC. The Suharto government is strongly anti-Communist, plays a key role in ASEAN's resistance to expanding Soviet and Vietnamese influence in the region, and supports the U.S. position on many global and regional issues. GOI leaders view our assistance as an important indicator of the strength of our relationship. Despite its oil resources, Indonesia remains one of the poorest countries in the world, with a per capita GNP below \$431 annually. The country faces difficult problems of a growing work force, very high population density on Java, and the probable end of oil exports in the 1990's. Indonesia is key to stability in Southeast Asia and we need to do all we can to help it continue the impressive economic progress.

The \$50 million requested in FMS credits represents an increase of \$10 million over the fiscal year 1982 allocation, but only \$5 million over the originally requested CPD level. This assistance plays a significant role in developing Indonesian capabilities to patrol and defend the strategic waterways surrounding this island nation. This expenditure is a modest investment to make in the largest member of ASEAN.

Their FMS credits will be used to finance a small portion of Indonesia's military modernization including the purchase of M101 Howitzers, MK 46 Torpedoes, ship overhaul and possible new aircraft acquisitions.

The IMET program of \$2.625 million will permit about 270 students to receive training in U.S. military schools. The training will cover a wide spectrum of professional, managerial, advanced and technical courses. Moreover, the Indonesians have begun placing more emphasis on in-country training through the use of Mobile Training Teams (MTT) in order to increase the number of students who benefit from the training. Thirteen MTT's are programmed for fiscal year 1983, covering naval operations, resource management, and artillery operations and maintenance.

We are attempting to maintain the level of development assistance because it makes a crucial contribution to Indonesia's development and long run political and economic stability. We have reduced Public Law 480 Title I substantially since fiscal year 1980 because of budget stringencies and Indonesia's improved food situation, but a small program remains in our political and commercial interest.

Our proposed \$65 million in development assistance and \$27.2 million in Public Law 480, Titles I and II, will help the Indonesian Government deal with a chronic food deficit, a severe shortage of trained, skilled manpower and a difficult balance of payments situation caused by World recession and oil glut.

Malaysia

The Malaysian Armed Forces are continuing with plans to double in size within the next several years, and are shifting from a counterinsurgency to a conventional warfare orientation in response to regional political developments.

Our modest FMS credit program of \$12.5 million is a recommended increase of \$2.5 million to help relieve a small portion of a much larger defense budget. FMS credits in fiscal year 1983 will finance only a small portion of the U.S. military equipment Malaysia will buy as it expands its armed forces. The remainder will be purchased through FMS and commercial sales. Equipment scheduled for purchases includes Chaparral Air Defense Missiles, communications equipment, ammunition, and spare parts for A-4 aircraft refurbishing. The IMET program will provide technical and professional training for an estimated 223 students. Malaysia will pay all travel costs.

The larger IMET increase is in response to a specific request from the Prime Minister for increased U.S. military training. This is the most appropriate way for the United States to help nonaligned and relatively prosperous Malaysia meet its increased security needs. Thus, our proposal to increase the IMET program to \$850,000 from \$500,000 is the largest percentage increase recommended for any East Asian country.

Singapore

Singapore is a good friend and strong supporter of U.S. policies in Asia. Singapore provides access to its excellent and strategically located air and seaport facilities for U.S. forces operating in the Indian Ocean. U.S. training and equipment, also purchased for cash, enhance military effectiveness and promote equipment commonality among the ASEAN countries.

A small (\$50,000) IMET program was begun by the Administration in fiscal year 1981 as a gesture of support for Singapore and ASEAN in the face of Vietnamese hostility on the Thai border and a growing Soviet presence in the region. We anticipate that this will remain only a token program in view of Singapore's relative wealth. Most military training in the United States will continue to be purchased through FMS sales procedures. There is no other military or economic assistance for Singapore.

The \$50,000 IMET grant for Singapore will be used for professional training for the best officers from all three services. Singapore will continue to buy other professional and technical training.

Burma

Our contacts with the Burmese government have expanded significantly since our narcotics program began in 1974. Our AID and IMET programs, beginning in 1980, have further expanded these contacts at the same time that Burma has been refusing lucrative approaches by the Soviet Union. Although we do not expect a change in Burma's basic commitment to neutrality, it is in our interest to encourage a continued, quiet Burmese opening toward the United States and the West.

The proposed increase in U.S. assistance to Burma promotes the continuing warming in our bilateral relations, supports our broader interests, including narcotics cooperation, and responds to specific Burmese requests. It allows the United States to become closer to an emerging country which, though out of the main stream now, is strategically located and could become a moderately important regional power in the next two decades. A small investment now could yield strategic dividends later.

Burma is one of the world's poorest countries, with a per capita income of only \$174. It has significant mineral and agricultural resources which, if properly developed, could insure internal prosperity and eventually, contribute to the economic strengthening of the region as a whole.

U.S. aid and IMET programs were recommenced in Burma in fiscal year 1980 after a 16-year hiatus. The proposed increase in development assistance to \$12.5 million for fiscal year 1983 will permit expansion of the key agricultural development program, as well as the second phase of a public health project. Even small inputs will provide large increases in food production, incomes and better health care country-wide.

IMET's increase to \$200,000 will provide for about 35 officers to receive U.S. military training in fiscal year 1983 up from an estimated 25 students in fiscal year 1982. These officers are expected to attend courses including the Command and General Staff College program, helicopter maintenance, advanced infantry, field artillery, and ordinance instruction. Judging from past experience elsewhere, this exposure to U.S. systems and concepts will have a significant impact over time on Burma's key leadership group.

We continue to assist Burmese narcotics suppression efforts by supporting an airlift capacity for use in anti-narcotics operations. We expect our narcotics assistance program in fiscal year 1983 to include funds for one replacement fixed-wing aircraft, as well as continuing maintenance support, and small pilot crop-substitution efforts. In return, the Burmese continue to commit considerable resources against narcotics. We currently expect an increase in Burmese efforts against Thai-Burma border trafficking groups to complement recent Thai government moves against the warlord army of Chang Chi-Fu.

Pacific Islands

World War II taught us that value of the Pacific Islands to the security of the United States, lying as they do across the lines of communication between the West Coast and Hawaii and Australia, New Zealand, and Southeast Asia. The importance of those lines of communication has increased greatly over the past thirty years. Over that same period the islands have undergone a fundamental transformation, from dependencies of Western powers to independent states.

We have requested \$5.1 million for development assistance to support an innovative, region-wide program to help improve agricultural and fishing techniques, and to promote regional cooperation in this area of small populations and small markets.

While a little money in this part of the world goes a long way and has been managed to make the most impact, any reduction would be noticed by island leaders and could well call into question the seriousness with which we say we take their concerns.

Fiji

The \$55,000 IMET program requested for Fiji is East Asia's only new program for the fiscal year. The Government of Fiji is pro-Western and broadly supportive of U.S. policy goals in international forums. Fiji was the first government publicly to support U.S. peace initiatives in the Sinai, and Fiji's participation was instrumental in demonstrating broad international support for the multinational peacekeeping force (MFO) effort. Fiji has also participated in the United Nations peacekeeping forces in Lebanon (UNIFIL) since 1978. The requested IMET program would provide a mix of professional and technical training to assist the Royal Fijian Military Forces to acquire the skills needed to operate their own defense establishment and to maintain their role in UNIFIL and the MFO.

Papua New Guinea

The U.S. has enjoyed friendly relations with Papua New Guinea before and since its independence from Australia in 1975. Papua New Guinea's strategic location, size and resource base give it the potential to become a major actor in the South Pacific.

The proposed fiscal year 1983 program of \$20,000 will assist Papua New Guinea in its continuing effort to upgrade the PNGDF by providing technical training to two or three officers. Areas of continuing interest are expected to be U.S. naval EOD training, coastal surveillance courses and the repair and maintenance of various kinds of equipment. Perhaps annual IMET programs will lead to PNG sending officers to attend the U.S. Army Command and General Staff College.

ASEAN

ASEAN has developed into a major force for stability in Southeast Asia and is of central importance to U.S. interests in the region. The ASEAN states are united in opposing Soviet-backed Vietnamese aggression in Cambodia and are resisting the expanding Soviet military presence in the region (Soviet port calls are denied by all member countries, for example). The ASEAN nations look to us for support and our small regional economic assistance programs are important signals of our help.

The proposed \$4.050 million program funds scholarships and training in Southeast Asia studies and regional programs in agricultural planning, plant quarantine, watershed conservation and tropical medicine.

Japan and the EC have recently announced increased economic support for ASEAN programs. However, our decrease from \$4.5 million in fiscal year 1982 to our proposed \$4.050 million for fiscal year 1983 does not indicate a reduced priority for the ASEAN program. Our original fiscal year 1982 proposal was for \$4.0 million, but an additional \$500,000 became available at the last minute, after the fiscal year 1983 proposed levels had become final.

China

Having completed the discussion of security assistance recipients, I now want to stress the importance the administration places on the proposed legislative changes for China.

Rapprochement between the United States and China during the last decade has been a dynamic contributor to global prospects for peace and stability. It has also been a powerful factor in today's lower tensions in Asia. The United States views China as a friendly nation with which we are not allied, but with which we share many important interests. China, like the U.S., is deeply concerned about continued Soviet aggression in Afghanistan and the Soviet-backed occupation of Kampuchea. Moreover, improved U.S.-China relations have meshed well with our existing alliances and security relationships in Asia and Europe.

While this community of strategic interests has remained a key element in our bilateral relations since establishment of normal diplomatic relations. It is being supplemented by steadily expanding and mutually beneficial economic, scientific, and cultural ties. For example, trade has increased dramatically and last year reached \$5.6 billion with a \$1.7 billion surplus in favor of the United States. There is a broad range of official exchanges—over 100 Chinese delegations visit the U.S. each month—and almost 8,000 Chinese students now study in the U.S. Last year almost 100,000 Americans visited China.

In light of the significant progress that the United States and China have made toward establishment of a normal and mutually beneficial relationship, the President last year decided to seek legislative change to laws which link China with the Soviet Bloc and which are no longer consistent with our strategic relationship.

This year's Foreign Assistance Bill, therefore, contains two proposals that would end such past identification of China with the U.S.S.R.:

- (1) Amendment of the Foreign Assistance Act to eliminate the blanket prohibition on assistance to China, and
- (2) Amendment to the Agricultural Trade Development and Assistance Act to clarify that China would be eligible for PL-480.

These proposals are a direct followup to that decision taken by the President last year. China has not been considered to be part of the Soviet Bloc since the 1960's. U.S. laws should reflect this fact. Our overall policy objective is to treat China as a friendly, but non-allied country with which we share important interests. We believe it is no longer in the U.S. interest to treat China as if it continued to be part of a monolithic Soviet Bloc.

I would emphasize that we have no plans to establish bilateral development assistance or Public Law 480 programs for China. Our principal interest in amending these laws is to ensure that, in principle, they treat China in the same way we treat other friendly, non-allied countries. We do not plan to ask for additional funds for China as a result of these amendments.

Amendment of the Foreign Assistance Act would allow China to participate in ongoing AID technical assistance programs, under current funding levels, in the same manner as do most other countries. For example, China could participate in on-going agricultural research programs funded by the United States at the International Rice Research Institute in the Philippines or in fertilizer development programs at the International Fertilizer Development Center in Muscle Shoals, Alabama.

We have provided the committee staff a paper which outlines the type of on-going projects which we could consider. We have not discussed any of these ideas with the Chinese and will not do so until the law is amended. We do know from past experience with other country participation that our own scientists and institutions will gain as much as the Chinese from their participation in these programs. Furthermore, these amendments will not threaten aid programs with other countries, nor inhibit normal commercial food sales. The net effect of the changes will be to contribute to China's development through existing AID research and training projects while familiarizing the PRC with commercially available U.S. technology.

We would, of course, consult closely with the Congress if, in the future, we should decide that bilateral Public Law 480 or development assistance programs for China were in the interest of the United States. The initiation of an assistance program for China would also be subject to the normal authorization and appropriation procedures.

CONCLUSION

As Under Secretary Buckley mentioned before the Senate Foreign Relations Committee on April 14, the importance of the Western Pacific to our interests is beyond dispute and the small 6 percent of the security assistance pie proposed for East Asia reflects not the importance of the region but rather its relative economic and military security. Thus, the relatively small increases proposed for a small portion of the world-wide security assistance expenditures are cost effective proposals to reinforce success.

We have tried to balance the need for budgetary restraint with the strategic realities of increasing Soviet pressures against our increasingly resource constrained East Asian friends and allies. As you can see relatively small increases for fiscal year 1983, particularly considering the cuts made in requested fiscal year 1982 levels, are going to have to do heavy duty in shoring up our strategic position in both Northeast and Southeast Asia. We believe, however, that these levels together with the development assistance requested will maintain our defense and security interests in the Pacific.

Senator HAYAKAWA. Thank you, Mr. Shoesmith. I think I will reserve my questions until we get testimony from Mr. Halligan and Mr. Jameson.

Mr. Halligan, would you care to proceed?

STATEMENT OF ROBERT HALLIGAN, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING AND ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. HALLIGAN. Thank you, Mr. Chairman. I am pleased to be here before this committee to discuss the administration's fiscal year 1983 request for \$160.7 million in development assistance, \$41.5 million in Public Law 480, and \$60 million in economic support funds for East Asia and the Pacific. These levels compare with fiscal year 1982 levels of \$155.8 million for development assistance, \$39.6 million for Public Law 480, and \$55 million for economic support funds.

The congressional presentation which we submitted in February provides the details of our requested program. I will briefly set forth the need for this assistance and will then discuss our plans to make effective use of it in the affected countries.

U.S. economic assistance to Southeast Asia has played a significant role in our efforts to help the area reach economic and political stability. Private U.S. investment in the four principal AID-assisted countries—Burma, Indonesia, the Philippines, and Thailand—for the 10-year period 1970 to 1980 averaged an annual 11.5-percent growth. U.S. trade with these same countries has averaged an annual growth rate of 24 percent over the same period.

The economies of the ASEAN states of Indonesia, Thailand, and the Philippines are growing at an average annual rate of 6.4 percent at a time when the economies of other countries are generally stagnant.

Our planning for fiscal year 1983 provides a new initiative, private sector development, while continuing to emphasize programs for reducing population growth rates, improving agricultural productivity, and protecting the natural resource base. Our continued emphasis on these last three areas is the result of project analyses and the conclusions drawn from evaluations of past projects which convince us that these are the problem areas which offer the greatest potential returns for development in Asia.

Population growth is an important emphasis in our planning because continued high growth rates impose intolerable pressures on the limited natural resources, food production gains and, in general, on the extensive and expensive efforts undertaken by Asian governments to raise the quality of life for their citizens.

This does not deny the successes so far achieved by Thailand in reducing its growth rate from 3.1 percent in 1965 to an estimated 2 percent in 1980, by Indonesia from 2.7 percent in 1970 to an estimated 2.1 percent today, and the Philippines from 2.7 percent in 1970 to 2.4 percent in 1980.

The point remains, however, that even at these new lower growth rates the numbers of new births each year, when taken into account with lower infant and child mortalities and a longer life expectancy, continue to reduce the chances that the poor will benefit from our development efforts.

Fifty-five percent of our requested development assistance funding is for activities which will help realize agriculture's full potential not only for food self-sufficiency but as a rural employer and source for increased rural income. In order to increase the agricultural production base, we will use a variety of interventions including those which emphasize better management and use of irrigated water supplies, the expansion of secondary food crops, applied research, manpower training, and attention to the special technological needs of underdeveloped rain-fed agricultural areas.

Our fourth planning emphasis, protection of the natural resource base, will be carried out by projects which aim to reverse rapid deforestation in the Philippines and improve land utilization in Thailand. Assistance to the 10 island nations in the South Pacific will be focused on rural development and education activities administered through U.S. private and voluntary organizations, regional organizations, and the Peace Corps.

Our assistance to the ASEAN regional organization in fiscal year 1983 will strengthen regional agricultural planning and watershed conservation practices and provide scholarships for the transfer of new technologies in health and engineering.

Fifty million dollars of the fiscal year 1983 economic support fund request is for the Philippines where, under mutual agreement, funds will be used for economic development of areas contiguous to U.S. military bases. This will represent the fourth of five annual allocations totaling \$200 million in connection with the 1979 Amended Military Bases Agreement. The remaining \$10 million ESF request is to support the Thai Government's new program to aid 246 of the country's most economically depressed districts which are impacted by the refugee inflows.

That, Mr. Chairman, summarizes my statement. Thank you.
[Mr. Halligan's prepared statement follows:]

PREPARED STATEMENT OF ROBERT HALLIGAN

Mr. Chairman and members of the subcommittee: I am pleased to appear before this Subcommittee to discuss the Administration's fiscal year 1983 request for \$160.7 million in Development Assistance, \$41.5 million in Public Law 480, and \$60 million in Economic Support Funds for East Asia and the Pacific. These levels compare with fiscal year 1982 levels of \$155.8 million DA, \$39.6 million Public Law 480 and \$55 million ESF. This assistance will aid in the economic development of Burma, Indonesia, the Philippines, Thailand, the island states of the South Pacific, and the ASEAN community. These economic development assistance programs are essential elements of the President's integrated military and economic assistance program to promote U.S. security and economic interests abroad in fiscal year 1983.

The Congressional presentation which we submitted in February provides the details of our requested program. I will briefly set forth the need for this assistance and then discuss our plans to make effective use of it in these countries.

U.S. economic assistance to Southeast Asia has played a significant role in our efforts to help the area reach economic and political stability. Private U.S. investment in the four principal AID-assisted countries for the ten year period 1970-80 averaged an annual 11.5 percent growth. U.S. trade with these same countries has averaged an annual growth rate of 24 percent over the same period. The economies of the ASEAN states of Indonesia, Thailand and the Philippines are growing at an annual rate of 6.4 percent at a time when the economies of other countries are generally stagnant.

Nevertheless, per capita GNP is only \$160 and \$370 for Burma and Indonesia which are categorized as low income countries, and \$590 and \$690 respectively for Thailand and the Philippines, amounts which rank these two countries below 45 of the 59 countries in the middle income country category. In Burma, 80 percent or 27 million people are classified as poor. 44.1 percent or 65 million are considered poor in Indonesia. Even in the higher growth countries of Thailand and the Philippines, the numbers of poor are estimated at 30 percent or 14 million people in Thailand and 38.6 percent or 17.6 million in the Philippines. The majority of these poor live in rural areas where population growth rates are too high, employment opportunities too few and incomes too low because they are linked to an overwhelmingly dominant but inadequately sustaining agricultural production base.

Our planning for fiscal year 1983 provides a new initiative, private sector development, while continuing to emphasize programs for reducing population growth rates, improving agricultural productivity and protecting the natural resource base. Our continued emphasis on these last three areas is the result of project analyses and the conclusions drawn from evaluation of past projects which convince us that these are the problem areas which offer the greatest potential returns for development in Asia.

We believe also that there are major contributions to the development process which the indigenous and American private sectors can make through investment in enterprises that are labor intensive and linked to the agricultural base of the rural areas. Although this is a new planning initiative, we are encouraged by the findings of recent reconnaissance missions to Thailand and Indonesia which found the private sector vital and the public climate encouraging for further private sector growth. As a result of these missions we are planning

new fiscal year 1982 projects in both of these countries which are designed to encourage U.S. private investment as well as strengthen the local private sectors. Funds for the second year's operation of these new initiative projects are included in the fiscal year 1983 request.

Population growth is an important emphasis in our planning because continued high growth rates impose intolerable pressures on limited natural resources, food production gains, and, in general, on the extensive and expensive efforts undertaken by Asian Governments to raise the quality of life for their citizens. This does not deny the successes so far achieved by Thailand in reducing its growth rate from 3.1 percent in 1965 to an estimated 2.0 percent in 1980, by Indonesia from 2.7 percent in 1970 to an estimated 2.1 percent today, and the Philippines from 2.7 percent in 1970 to 2.4 percent in 1980. The point remains, however, that even at these new lower growth rates the numbers of new births each year, when taken into account with lower infant and child mortalities and a longer life expectancy, continue to reduce the chances that the poor will benefit from development efforts. AID assistance has played a major part in the successes already achieved by these national programs and continued assistance is needed to help realize further population growth reductions. In fiscal year 1983, we will continue our support for innovative village family planning activities and the expansion of the national program into relatively neglected urban areas in Indonesia, for strengthening the national outreach program utilizing full-time field workers to recruit and train neighborhood volunteers in the Philippines, and for continuing the highly successful national program in Thailand.

With regard to the third area of planning emphasis, 55 percent of our requested Development Assistance funding is for activities which will help realize agriculture's full potential, not only for food self-sufficiency, but as a rural employer and source for increased rural income. In order to increase the agricultural production base, we will use a variety of interventions including those which emphasize better management and use of irrigated water supplies, the expansion of secondary food crops, applied research, manpower training, and attention to the special technological needs of underdeveloped rainfed agricultural areas.

Our fourth planning emphasis, protection of the natural resource base, will be carried out by projects which aim to reverse rapid deforestation in the Philippines and improve land utilization in Thailand.

Assistance to the ten island nations in the South Pacific will be focused on rural development and education activities administered through U.S. Private and Voluntary organizations, regional organizations, and the Peace Corps.

Our assistance to the ASEAN regional organization in fiscal year 1983 will strengthen regional agricultural planning and watershed conservation practices and provide scholarships for the transfer of new technologies in health and engineering.

\$50 million of the fiscal year 1983 Economic Support Fund request is for the Philippines where, under mutual agreement, funds will be used for economic development of areas contiguous to U.S. military bases and for non-conventional energy development. This will represent the fourth of five annual allocations totalling \$200 million in connection with the 1979 Amended Military Bases Agreement. The remaining \$10 million ESF request is to support the Thai Government's new program to aid 246 of the country's most economically depressed districts which are impacted by the refugee inflows with activities for increased employment, social services and agricultural production.

Thank you, Mr. Chairman.

Senator HAYAKAWA. Thank you, Mr. Halligan. Mr. Jameson, do you have anything to add at this point?

**STATEMENT OF CHARLES JAMESON, DEPUTY DIVISION CHIEF OF
THE EAST ASIAN DIVISION, DEFENSE SECURITY ASSISTANCE
AGENCY, DEPARTMENT OF DEFENSE**

Mr. JAMESON. Mr. Chairman, I have no prepared statement. However, I would like to emphasize what Mr. Shoemith referred to as a real security threat to countries in the region, in particular Malaysia, Thailand, and Korea. Those three countries have initiated systematic

and major force improvement programs, the funding requirements for which are truly enormous.

These countries are taking on tremendous burdens in doing this, and I feel that their efforts justify the modest amount of security assistance that we are proposing for fiscal year 1983.

Senator HAYAKAWA. There has been trouble at the DMZ during the last few days, has there not?

Mr. SHOESMITH. Yes, there was, Mr. Chairman.

Senator HAYAKAWA. Can you describe it for us, Mr. Shosmith?

Mr. SHOESMITH. The events seem to have been precipitated by the efforts of several—I believe there were four—military personnel from the North Korean side that were seeking to defect, to get across the line into the south. They were fired upon by their own side. This resulted in a returned fire from the South Korean forces south of the DMZ.

I believe, if I recall correctly, Mr. Chairman, that the four seem to have stumbled across in a mine field and so far as I know they were all killed. It does not seem to have been any sort of provocation from the north, although the area is one, as you know very well, Mr. Chairman, of considerable tension and this matter will be looked into, I would presume, by the Armistice Commission. But so far as we can determine, it was not a provocation from the north.

Senator HAYAKAWA. So it is believed that those four defectors from North Korea were killed in the process?

Mr. SHOESMITH. That is my impression, sir.

Senator HAYAKAWA. When South Korea fired back, at whom were they firing?

Mr. SHOESMITH. They were returning fire from the north. Whether there were any casualties as a result of that, I do not know. I have not heard that there were.

Senator HAYAKAWA. The tension there is so tremendous you would expect war to break out at any minute.

Mr. SHOESMITH. If I may comment briefly on that, Mr. Chairman. One of the important considerations in our effort to continue to assist the Republic of Korea in building up its forces is to prevent the minimum temptation from the north to engage in any sort of hostile or provocative action toward the south. That is an extremely important consideration.

Senator HAYAKAWA. Thank you. How much foreign aid does Japan contribute to this area, and by this area I mean not only Korea but Thailand, the Philippines and so on?

Mr. SHOESMITH. I do not know that I can comment on that. Perhaps Mr. Halligan can. I am aware that they do have some economic assistance programs to the ASEAN countries and I believe Japan has offered to provide the sum of \$100 million to various projects the ASEAN countries. There may be Japanese assistance programs in Indonesia as well as in the Philippines.

Of course, as you may be aware, Mr. Chairman, the Republic of Korea and Japan are now engaged in discussions on the possibility of Japan extending increased economic assistance to South Korea.

Mr. HALLIGAN. Mr. Chairman, if you can bear with me for just a second, I think I can give you the total for Japanese aid by country. In the case of Burma, it is estimated that in calendar year 1980 Japan will

be providing approximately \$160 million, in Indonesia approximately \$425 million in calendar year 1980, in the Philippines approximately \$110 million, in Thailand approximately \$200 million, as well as the \$100 million for ASEAN human resource development which Mr. Shoemith previously mentioned.

Their financial calculations are not predicated on fiscal years, as ours are, so these are approximations, Mr. Chairman.

Mr. SHOESMITH. I think it is the case, is it not, Mr. Halligan, that the bulk of Japan's development assistance, a program which beginning in 1979 they were to double, the bulk of that goes to Southeast Asian countries.

Mr. HALLIGAN. Approximately 70 percent of the total.

Mr. SHOESMITH. Yes, although it has been extending assistance to other countries of strategic political importance such as Pakistan, Egypt, Somalia and even recently, I believe, to Jamaica.

Senator HAYAKAWA. To Jamaica?

Mr. SHOESMITH. Yes, Jamaica, but the bulk goes to Southeast Asia.

Senator HAYAKAWA. Are these pretty generous sums, comparatively speaking?

Mr. SHOESMITH. I think in the magnitudes Mr. Halligan suggested they are pretty generous sums.

Senator HAYAKAWA. Yes, they seem to me to be so. The total foreign aid to the ASEAN and Pacific region from the United States will be about \$713 million, roughly 14 percent above last year's levels. As you know, the Congress gave the administration a 2-year authorization for fiscal year 1982 and fiscal year 1983 with levels for the 2 years essentially the same.

How difficult would it be for the Asian and Pacific region to live within the fund levels already authorized? What urgent requirements are there in Asia to justify the increase?

Mr. SHOESMITH. I might start, Mr. Chairman, with Korea, upon which we have already touched and my reference there to the worrisome, even dangerous, imbalance that exists between the capabilities of North Korea and the capabilities of the Republic of Korea.

I think in just about every major weapons system the North Koreans outnumber the south by a ratio of almost two-to-one in tanks, aircraft, artillery and the like. Specifically, we have requested some \$29 million to enable the Republic of Korea [ROK] to purchase a HAWK improvement program. The total program costs are something on the order of \$55 million, of which the ROK lacks about \$29 million and the HAWK improvement program is very important in terms of its defense capabilities.

We need also, I think, to address the air defense program now. The continuation of the serious imbalance in North Korean versus Republic of Korea air defense, attack air defense, needs to be addressed and the Korean Government simply is unable within its own economic resources to move forward on that program.

Senator HAYAKAWA. Isn't Seoul adequately defended from air attack?

Mr. SHOESMITH. I think that is something of a technical question and I do not know that I can respond. I presume if you look at South Korea as a whole, the air attack capabilities of the north currently exceed in numerical terms the capabilities of the south. For that rea-

son, both air defense in the HAWK missile program and fighter aircraft improvement programs are critically essential.

In the case of Thailand, which is the other area for which we have proposed increases, there have been, as I have mentioned, improvements in Vietnamese capabilities—Vietnamese capabilities in Kampuchea and an increasingly aggressive posture—a probing posture, I suppose, is a more precise word—the Vietnamese pressing up against the Khmer Rouge positions along the border.

We have proposed \$25 million in addition for Thailand and that is directed to a further strengthening of Thai capabilities. Thailand is a frontline state. The other countries of ASEAN in looking at our willingness and determination to assist the countries of Southeast Asia in meeting this threat from across the border of Kampuchea, attach particular significance to our continued efforts to assist Thailand in developing its capabilities.

These are the two areas, Korea and Thailand, that account for the bulk of the increase that we are requesting on the military assistance side.

Mr. Jameson, would you care to add to that?

Mr. JAMESON. Mr. Chairman, I would like to point out that North Korea does enjoy an approximately 2 to 1 advantage in numbers of combat aircraft over South Korea. Whether Seoul is adequately defended from air attack, it probably is not at this point. In fact, parts of Seoul are practically within the range of North Korean artillery. So that is another aspect of the problem.

But if it is all right with you, Mr. Shoemith, I would like to expand on what Mr. Shoemith was saying, Mr. Chairman, by pointing out that the Republic of Korea has initiated its second force improvement plan which is expected to amount to about \$4.7 billion worth of procurement from the United States over the next 5 years, between—

Senator HAYAKAWA. What is the procurement plan?

Mr. JAMESON. The force improvement plan. It is the second one. The first lasted from 1975 through 1981, and now this is supposed to last through 1986. As I say, the Koreans plan on spending \$4.7 billion in the United States over that period.

Senator HAYAKAWA. Is North Korea basically supplied by the Soviet Union?

Mr. JAMESON. Yes, sir, basically, and they are spending about 20 percent of their gross national product on defense. They manufacture a wide variety of military equipment in North Korea, including submarines and tanks, two items which the South Koreans do not yet produce.

Senator HAYAKAWA. You say 20 percent of the GNP on defense?

Mr. JAMESON. Yes, sir, and South Korea spends 6 percent.

This year the South Koreans will pay interest on foreign debts equal to their total defense budget, approximately \$4 billion. Their defense budget is \$4.6 billion, but the interest is significant.

As Mr. Shoemith pointed out, also in fiscal year 1982, we are going to loan Korea \$166 million in FMS credit, and they will be paying us back \$254 million, a difference of approximately \$88 million. And this means that the net effect of our FMS credit program for this

fiscal year, 1982, will be to reduce the amount of ROK funds available for new procurement.

In fiscal year 1983 the deficit is \$44 million. They will be paying us back \$254 million, and we plan to lend them \$210 million.

The total burden of their force improvement plan is \$4.7 billion in terms of procurement from the United States. The Koreans would like us to lend them \$500 million a year starting in fiscal year 1984, to help them finance this, but of course, we have to deal in the real world here and do the best we can. There are competing priorities worldwide and constraints upon the overall credit program.

But I just wanted to make you aware of the magnitude of the problem.

In addition to the item Mr. Shoesmith mentioned, the improved HAWK product improvement program, there are other letters of offer that have been issued recently which may not be accepted during this fiscal year, or at all. Important letters of offer in this category are radar warning receivers for their F-5 fleet of aircraft and chaff flare dispensers for their F-5's. These are very important items of equipment to install in these aircraft to make them less vulnerable to defeat. Inertial navigation systems for F-5 aircraft, another important requirement, has been offered to Korea but have not been accepted yet.

Another major program that we would like the Koreans to follow through on, but which they are waivering on right now, is the procurement of a quantity of DSU-29 laser range finder fuzes for their AIM-9 missiles, their older AIM-9's, which we would like to see them upgrade. That would mean a significant increase in their capability in air-to-air defense.

Another program that they have in the past turned down letters of offer for because they felt it was too expensive is the procurement of artillery-locating radars, one of their very important requirements. The value of that case is about \$80 million.

I can go on and on. They are on the fence regarding procurement of additional TOW missiles. Their antitank capabilities are seriously in need of improvement. There is another case for 170 improved Hawk missiles, about two battalions worth, and 723 rocket motors for war reserve purposes. A letter of offer has been issued for that system, but not yet accepted. They have requested extending the expiration date on two separate occasions. The cost of that is \$58 million.

There is another case, \$20 million for cryptographic devices for the AN/TSQ-73 missile minder command and control systems. These systems will integrate United States and ROK air defense sensors and weapons systems. We consider that an important program and we do not want to see it delayed by the ROK's inability to fund these crypto devices.

So I guess the total value of these potentially affected programs which I have just rattled off for you here is about \$285 million.

Now, our fiscal year 1982 supplemental request of \$29 million will not go very far in covering the total costs of the program, but we must remember that it does not take much to initiate a program primarily, and the \$29 million would be very helpful in at least giving the ROK's the wherewithal to kick some of these programs off, and relying on the future availability of credit.

Of course, we expect that some of these will be deferred into fiscal year 1983. How long they will continue to slip or even be cancelled we cannot tell for sure. A lot will depend on the availability of credit for financing in outyears.

Let me just mention one more thing, Mr. Chairman. The Koreans are considering and have a very great need to upgrade their self-propelled artillery inventory, and they are considering—

Senator HAYAKAWA. The what inventory?

Mr. JAMESON. Their self-propelled artillery, self-propelled howitzers, in particular, the M-109A/2 155mm self-propelled howitzer. They are about to make a decision on whether to purchase or co-assemble our item or to instead go with an indigenous version of the 155mm towed howitzer that they would use trucks to transport. We feel that it is important for them to buy our weapon system, not only because our production line is in difficulty at the BMY corporation in York, Pennsylvania, but also because the lack of lateral road systems in Korea would make it more practical for them to have some form of self-propelled artillery which would be able to traverse the terrain much more effectively than a towed howitzer would.

Mr. SHOESMITH. Perhaps I might try to sum up a bit on this situation in Korea, Mr. Chairman. The force improvement program that Mr. Jameson has just mentioned of course has as its primary objective to redress the imbalance that we have been talking about between North Korean capabilities and the capabilities of the Republic of Korea. At the present rate of South Korean spending, together with approximately the present rate of our assistance, we estimate it would take the Republic of Korea about 9 years to complete its current force improvement program, at which point they would probably remain in about the same relative position in terms of capability vis-a-vis the north.

If we had increased growth in the Korean economy—and that is somewhat problematical at the present moment, although we expect about a 6-percent increase in the next year—with increased growth in its economy and an increase in our assistance over the next several years, they could probably complete this force improvement program by fiscal year 1985.

With a higher rate of assistance on our side, together with a higher rate of investment on the South Korean side, probably this military imbalance could be overcome by 1988 or 1989.

So in a sense, Mr. Chairman, we are somewhat behind the curve in this effort to try to avoid any sort of outbreak of tensions on the Korean Peninsula by adjusting, trying to correct this imbalance between the two. And I think it represents for us and our security interests in East Asia one of the two most critical points.

Senator HAYAKAWA. The aid that is given by Japan to Korea is basically economic aid, is it not? They would not be involved in military aid.

Mr. SHOESMITH. No, it is economic assistance.

Senator HAYAKAWA. Yes.

Mr. SHOESMITH. Of course, it does free resources for security investment.

Senator HAYAKAWA. Of course, yes.

What do you infer to be the quality of life in North Korea when they gave up so much for defense?

Mr. SHOESMITH. It necessarily is very austere.

Senator HAYAKAWA. It must be.

Mr. SHOESMITH. Although the reports that we have had from people who have visited there suggest that there has been some improvement in basic quality of life, housing, education, health care. But still, when they are investing as high a percentage of their GNP in military expenditures as has been indicated, some 20 percent, the quality of life remains very austere, and the balanced growth of the North Korean economy lags behind that of South Korea.

Senator HAYAKAWA. Security assistance to Asia and the Pacific accounts for only 6 percent of our total security assistance distributed worldwide. That is correct, is it not?

Mr. SHOESMITH. That is correct, sir.

Senator HAYAKAWA. And yet our interests in and commitments to ASEAN nations and Asian nations in general are strong and extensive, and the threat from the Soviet Union and other adversaries in the region has not diminished, and in the opinion of some, has grown. Our security interests in Asia are certainly greater than the 6 percent figure would indicate.

Why is Asia receiving such a small portion of our security assistance?

Mr. SHOESMITH. Well, certainly that proportion does not indicate any lower or lesser priority in terms of our own national interest in this very important part of the world. As I indicated in my summary remarks, Mr. Chairman, the East Asian region continues to be of vital importance to the United States, to our interests in political and in economic and security terms.

However, given, as I mentioned, the very tight budget constraints and the need to allocate resources according to a very rigorous list of priorities which relates our goals to our needs, we do recognize that in the East Asian region, the countries themselves are somewhat better positioned economically than are countries in other parts of the world to make a contribution to their own security and to their economic development. We have already referred to Japan's contributions. I might add some of the contributions by Australia and New Zealand to the economic development of countries in Southeast Asia. And the security threat, while it is growing, is not as imminent, with the exception of the two areas that I have mentioned, Korea and Thailand, as it is in other parts of the world.

So I think it is a judgment in making these allocations of apportioning our resources to where the most critical needs are at the moment. It does not reflect either our sense of importance of the region or the longer term security threat to the region.

Senator HAYAKAWA. Thank you, Mr. Shoemsmith.

Senator Glenn, do you have a statement that you would like to make?

Senator GLENN. Mr. Chairman, thank you. I have no statement.

Senator HAYAKAWA. We have been talking about assistance to Asian nations, security assistance and so on.

I shall continue, then, with another question. Please feel free to chime in whenever you see an opening.

Senator GLENN. Fine.

Senator HAYAKAWA. I would like to ask a question, and I invite all three of you to chime in whenever you feel the urge. Last August I was a visitor to the ASEAN countries, and our delegation was exposed to various analyses of threat that was felt in these countries. Some viewed China as the primary threat. Others thought Vietnam to be the most serious destabilizing factor in that area of the world, and some paid only lip service to the Soviet threat.

Can you explain the varying interpretations by the Philippines, Malaysia, Singapore, Thailand, and so forth of what they see as threats?

Mr. SHOESMITH. Within the countries of Southeast Asia, and I think certainly what I am about to say applies particularly to Indonesia and Malaysia, the concern for China is greater than, for example, in the Philippines or perhaps in Thailand. I think to some extent this reflects the ethnic or communal problems that they have both had. You recall Indonesia's experience in the 1960's with an attempted coup by the Communist elements in Indonesia. Malaysia, with its communal problems with a large ethnic Chinese minority, tends to focus their attention in particular on China.

I think speaking generally as far as the Soviet Union is concerned, there is a perception on which all of the countries of Southeast Asia can agree that over the longer term, and certainly in terms of a global strategic problem, that the Soviet Union remains, or presents, a long-term threat to the area. All of them are very conscious, I think, of the availability, the access which the Soviet Navy now has to ports in Vietnam, and the potential long-term threat that that could pose to sea lanes of communication through the Southeast Asian area.

But some of the countries in Southeast Asia do not see that as the immediate problem; or see that as a threat in terms of a larger global East-West conflict.

With respect to Vietnam, I think some of the countries of Southeast Asia have somewhat different views as to how to deal with the threat of Vietnam, but all of the ASEAN countries are unified in support of the position contained in the resolutions that came out of the International Conference on Kampuchea under the U.N.'s sponsorship, in 1980 I believe it was, and recognized the threat posed to Thailand as the front line state by the presence of substantial Vietnamese forces in Kampuchea.

There may be differences, as I have said, as to how to deal with this over the longer term, but in terms of the security threat posed to Thailand, I think all of the countries in Southeast Asia are very much concerned and are quite in accord on the need to insure that Thailand has sufficient capabilities to avoid a confrontation on its borders.

Senator HAYAKAWA. Just as an aside, I would like to add that one of the arguments given by the Japanese against strong buildup of armaments is that they are afraid, having misbehaved very badly in some of these nations during World War II when they occupied these nations, like the Philippines and so on, they are afraid to arouse their anxieties by having a strong military force. And I think that is a legitimate argument on the part of Japan not to increase its defense forces too much, with the result that they make expenditures for defense under a different system of bookkeeping, like, for example, the amount of

money they spend on the support of American troops in Japan, which does not go under military expenditure and other such subterfuges.

Mr. SHOESMITH. That is correct. Certainly that concern is one that the Japanese Government and others in Japan have very much on their mind, and it is one that other countries in Asia occasionally articulate.

Senator HAYAKAWA. They still remember these things, of course.

Mr. SHOESMITH. But as far as our own purposes are concerned, and our consultations with Japan, they are limited to Japan increasing its capabilities for the defense of its home island and surrounding air and sea space in Northeast Asia.

Senator HAYAKAWA. Thank you, Mr. Shoemith.

Senator Glenn, do you have any questions?

Senator GLENN. Thank you, Mr. Chairman, I do.

Gentlemen, the administration has proposed legislative action to remove the statutory prohibition in the Foreign Assistance Act on assistance to the People's Republic of China. They also maintain there are no plans to establish bilateral Public Law 480 or development assistance programs for China.

Are these changes going to be made this year, or what is the plan on that?

Mr. SHOESMITH. Well, we hope so, Senator Glenn. We have entered proposals to change both the Foreign Assistance Act and the Agricultural Trade and Development Act to remove our discriminatory treatment of China.

Senator GLENN. But are there plans to go ahead with Public Law 480?

Mr. SHOESMITH. No; there are not. The only thing that might be contemplated under these changes would be to permit China to attend international conferences that are sponsored by AID or to participate in technical assistance programs. These would not require any additional funding.

Senator GLENN. We do not plan any development assistance programs, economic assistance programs for China?

Mr. SHOESMITH. No; we do not.

Senator GLENN. If Congress agrees to these changes, we have been told that the administration hopes to include China in some ongoing technical assistance and exchange programs which do not require additional appropriations, but on the other hand, in a document that the administration sent to the committee, it stated, and I quote, "the program could only involve modest amounts of money."

Now, how much money are we talking about and what do you have in mind? What would the program be?

Mr. HALLIGAN. Senator Glenn, should the legislation be amended as the administration has requested, the types of activities that are contemplated—

Senator GLENN. Could you please pull the mike up in front of you. I see some people having trouble hearing.

Thank you.

Mr. HALLIGAN. The types of activities that are contemplated would be to enable the PRC to participate in specialized training courses at the International Rice Research Institute in Los Banos, the Philip-

pinus, for example, on rice genetics, rice breeding, specialized scientific training. The kinds of moneys that are involved are the travel and per diem costs and the costs of the training programs themselves.

Senator GLENN. But we would be paying for the Chinese teams to go to the Philippines to study, is that correct?

Mr. HALLIGAN. We might under some circumstances, yes.

Senator GLENN. How much would be involved?

Mr. HALLIGAN. This is probably several thousands of dollars per individual. These are—

Senator GLENN. And how many individuals then? In other words, I am trying to get an idea if we are talking about \$5,000 or \$5 billion? Where in between here does it fit?

Mr. HALLIGAN. I would suggest you are probably talking a maximum of \$100,000 or so.

Senator GLENN. All right.

Mr. SHOESMITH. I might say, Senator Glenn, we have not discussed these possibilities with the Chinese at all.

Senator GLENN. They have not asked for this, then?

Mr. SHOESMITH. They have not. We would not approach them. We believe there are areas in which they would be interested, but we will not approach them until the appropriate changes have been made.

Senator GLENN. Well, if that is the case, then, are we in the process of setting up a package of things that we are going to suggest to the Chinese they might do in which we would be willing to help, is that right, or would we be waiting for them to state what they want?

Mr. SHOESMITH. I think we would have a fairly good idea of the things that they might be interested in, for example, the rice development, or there is, I think, a Fertilizer Institute. These are things that we would feel would be useful for China in its efforts at economic modernization, particularly in areas of agriculture. But as I say, they have not—the motivation for this does not come out of either Chinese interest as expressed to us, or our interest to get these programs going. The primary motivation is to follow through on the President's determination of last June, to remove this kind of discriminatory treatment of China from our legislation, a decision that was conveyed to the Chinese that we would be moving in this direction when Secretary Haig visited China last year.

Senator GLENN. If we take the restrictions off, though, we would also anticipate that some action would follow the removal of those restrictions, if we are making a special point of taking restrictions off. Otherwise, there would be no point to making an issue of it.

Mr. SHOESMITH. Well, there is a symbolic one.

Senator GLENN. But I assume we are interested in more than just the symbolism.

Mr. SHOESMITH. Certainly, to the extent that we can provide some help to China in its economic modernization efforts.

Senator GLENN. Can you give us any other ideas you have in mind? We mentioned the Philippine visit, the Rice Institute, the Fertilizer Institute. What else?

Mr. SHOESMITH. I think that we are prepared, if we have not already, to provide your committee with an illustrative program.

Mr. HALLIGAN. Senator Glenn, may we provide that for the record?

Senator GLENN. All right.

Do you have it with you this morning, and are you prepared to go into the details of it this morning?

Mr. HALLIGAN. Only in general terms.

[The information referred to follows:]

ASSISTANCE TO CHINA

[SUBMITTED BY AID]

This memorandum describes AID's preliminary plans for possible technical and scientific interchange with China. It is written in response to questions within the Executive Branch and from Congress as to the type of assistance relationship which might evolve should Congress amend Section 620(f) of the Foreign Assistance Act to permit assistance to the Peoples Republic.

The memorandum defines the policies which would guide an assistance effort and illustrates types of activities which could be carried on under the program. In the absence of Congressional authorization, AID has conducted no outside consultations nor any detailed planning for an assistance program. However, the activities described below are realistic in the sense that they respond to known Chinese needs, fit AID's ongoing programs, and require no new appropriations beyond the current fiscal year 1983 request. Also, the program would only involve modest amounts of money.

GENERAL POLICY

China's development has progressed most rapidly in areas such as public health which depend on spreading known technologies through effective organization and lease wells in fields which require an effective capacity to develop and disseminate new technology. In agriculture, for instance, the Chinese have stretched almost to the limit the capacity for production gains through land expansion, irrigation development, and extension of known techniques. Further gains will depend on developing new technology, including basic research.

In this context, AID would focus any assistance to China, if authorized, on technical transfer and improving Chinese capacities to develop, adapt, and disseminate new technologies. Assistance would be limited to AID's ongoing fields such as agriculture and energy in order to insure that assistance offered to China is comparable to that offered other countries and also fits AID's staff skills. Assistance might include short and long-term training, financing Chinese participation in workshops and seminars, and short-term technical assistance. Stationing long-term technical advisors in China is not contemplated. Assistance funds could also be used to finance technical and scientific equipment needed as part of technical training or assistance efforts. The program would be operated through grants to U.S. universities, private and voluntary agencies, or managerial staff. Any activities suggested in fiscal year 1983 and 1984 would be carried out by expanding existing AID projects to include China rather than mounting discrete projects specifically for China.

As a practical matter, these guidelines mean that proposed assistance to China would concentrate primarily in agriculture. This is an area where Chinese scientific and technical needs are great, where U.S. skills are high, and where AID has the largest number of ongoing programs which can be opened to include China. Approximately 65 percent of any assistance funds could be programmed in agriculture. Increasing agriculture production is essential to China's economic development and to reducing the strain which China's growing demand for imports is placing on world grain supplies and prices.

POSSIBLE AREAS FOR ASSISTANCE

The following are among the areas to be considered for discussion with China as possible areas of assistance:

I. Agriculture/Food Production

A. Agriculture Research.—AID and 33 other donors support the International Rice Research Institute in the Philippines as the lead institution in Asia for producing improved rice varieties. The Institute produced the high yielding rice seeds which sparked the so-called green revolution in Asia. IRRI provides technical assistance and short-term training for rice research scientists from all over Asia. In this context, AID's long-standing support for the International Rice Research

Institute could be expanded to allow IRRI to provide technical training and assistance for Chinese agricultural scientists in rice research and related areas. China produces 35 percent of the world's rice crop. The Chinese are establishing a National Rice Research Institute in South China and have requested short-term technical assistance from IRRI for scientists, research administrators, and for experts in-field layout and laboratory design. Assistance funds could also be used to purchase special research equipment not available in China and to finance Chinese attendance at short-term training programs and workshops held at IRRI.

In addition to working with China's National Rice Research Institute, IRRI could also directly assist the Chinese in cooperative tissue and cell culture research for improving grain varieties as well as facilitate Chinese links with U.S. universities such as Michigan State and Colorado State which are working in these areas.

A third area of possible cooperation through IRRI is assisting the Chinese with their plans for establishing a National Plant Genetic Resource in Beijing. This center, which is basic for preserving plant materials and for research programs, will be linked to several satellite centers in other parts of China.

Scientific training in disciplines such as seed physiology and technical training in seed handling and storage are needed as well as technical assistance in the management of a genetic conservation program. IRRI is already cooperating with the Rockefeller Foundation in helping the Chinese design this facility, and further assistance could be programmed through IRRI. Such an assistance program might be of direct benefit to the U.S. Genetic Resources Laboratory in Fort Collins, Colorado, which is interested in gaining access to Chinese plant materials for the U.S. germ plasm bank.

In addition to assistance through IRRI, AID could use its participant training program to provide short and long-term training to Chinese agricultural scientists in other fields. The Chinese have recently designated seven Chinese universities as their principal university centers for agriculture research and training. A project to provide short and long-term training in the United States and short-term technical assistance from U.S. universities could be concentrated on upgrading the staff of these institutions. The Asia Bureau also has an on-going contract with the University of Minnesota to assist Asian countries with agriculture research planning and analysis of the economic effectiveness of research programs. This program could also be opened up to provide technical assistance and training to the Chinese in research planning.

B. Soils.—China is far behind the world in its soil classification and land evaluation system. The last soil survey was completed by a USDA scientist in 1936. Large parts of China's upland areas are denuded and eroding and others are being abandoned for agriculture. Proper soil classification and knowledge of soil problems is essential to developing higher yielding technologies and to conservation programs. Existing AID agreements with USDA could be expanded to provide training at USDA or U.S. universities and short-term technical assistance for scientists at Academia Sinica Soils Institute in Nanking. This is the center of scientific work on soils in China. Technical assistance in organizing and managing a program of soil classification could also be given to national and provincial bodies charged with soil classification work. Long-term training to augment the small and aging cadre of Chinese soil experts who received training in the United States before World War II could also be included.

C. Fertilizer.—AID supports the International Fertilizer Development Center in Muscle Shoals, Alabama as a worldwide center of technical assistance and training on fertilizer, use manufacture, storage, and distribution. Funds from this program could be used to provide short-term technical assistance and training to the Chinese experts. This assistance has positive implications for U.S. fertilizer exports and as well as for U.S. firms competing for contracts to construct fertilizer plants in China.

II. Remote Sensing

Remote sensing involves using satellite imagery and air photos to monitor and assess natural resources and changes in the environment. In July 1981, the Chinese established a National Remote Sensing Center in Beijing; they are purchasing a U.S. satellite and broadcasting communications system and a Landsat receiving station. The Chinese have a strong interest in using remote sensing for land surveying, hydrology, forest surveying, mineral resource identification, crop surveys, and cartography. AID supports an Asian Regional Remote Sensing Center at the Asian Institute of Technology in Bangkok. The Center offers

training for Asians in remote sensing principles and applications, basic radiometry, data processing for remote sensing, photo interpretation and other subjects. This program could accommodate up to 10 Chinese per year at its present capacity. The center could also provide short-term technical assistance to the Chinese as well as underwrite their participation in workshops and seminars. The Chinese have made several requests to U.S. scientists for assistance in remote sensing tailored to the environment and development needs of their country.

III. Energy

The Chinese are planning massive investments in energy development, and AID has several on-going projects which could provide both technical training and exposure to U.S. technology and private companies. AID's Conventional Energy Training Project provides short and long-term training at U.S. universities and U.S. private companies in geology, petroleum engineering, drilling technology and other subjects. Similarly, the Alternative Energy Training project at the University of Florida provides training in solar bio-mass and geo-thermal technologies. AID also supports an Energy Management and Training project at the State University of New York in Stony Brook, N.Y. which provides instruction in energy planning, technology assessment, and financing. These on-going projects could be used to finance both long and short-term training for Chinese energy persons as well as to provide short-term technical assistance in specialized areas.

IV. Demography/Statistics

Another possible area for assistance is census and statistical techniques for Chinese universities and planning bodies. AID supports the International Statistical Programs Center at the Bureau of the Census. The center provides short and long-term training and technical assistance in sampling design, survey methodology and design, census techniques, and computer software. China's Central Statistical Office in Beijing has requested assistance in census planning, household survey techniques, fertility surveys, and computer software. AID could add limited funds to the International Center to permit it to respond to these requests, particularly training in computers which has implications for future sales of U.S. technology.

In summary, any assistance program to China for fiscal year 1983 and 1984, if authorized, would be limited to short-term technical assistance, training, financing for technical interchange through workshops and seminars, and funding for scientific and technical equipment. It would utilize existing AID projects and could concentrate on agriculture with some assistance also in other fields such as remote sensing, energy, and census or demographic techniques. Besides contributing to China's development, most of these possible assistance efforts would also familiarize the Chinese with commercially available U.S. technology.

Senator GLENN. Would you outline it in general terms, then? This seems to be an important major change in direction.

But let me ask before you say that, these are not things that the Chinese have actually asked for, as I understand it.

Mr. SHOESMITH. So far as I am aware, they have been interested, in general, in an exchange in areas of technology relating to their economic programs, particularly in agriculture.

Senator GLENN. But have there been any informal discussions to be sure that these are things that they would be interested in?

Mr. SHOESMITH. No, there have not been, not that I am aware of.

Senator GLENN. And have the Chinese specifically asked for economic or military assistance at this point?

Mr. SHOESMITH. I think it is fair to say, Senator Glenn, that they have expressed on repeated occasions an interest in technological transfer and in private investment. But so far as I am aware, the Chinese have not asked for grant assistance, economic assistance of the kind that we have been talking about.

Senator GLENN. This is going to be voluntary on our part then?

Mr. SHOESMITH. Yes; it would be something we could offer.

Senator GLENN. Mr. Halligan, would you please outline that situation for us?

Mr. HALLIGAN. Certainly, Senator Glenn. In addition to the types of activities I have already mentioned, an area that is of some importance to China is in soils. China lags far behind the world in its soil classification and land classification system. The last such soil survey was undertaken by the USDA scientists in 1936. Large parts of China's upland areas are denuded and eroding, and others are being abandoned for agricultural purposes.

Existing aid agreements with USDA could be expanded to provide training at USDA or U.S. universities, and short-term technical assistance for scientists at the Soils Institute in Nanking, which is the center for scientific work on soils in China.

AID also supports the International Fertilizer Development Center in Muscle Shoals, Ala. Short-term technical assistance and training in fertilizer could be provided to Chinese experts, which has positive implications for U.S. fertilizer exports as well as for U.S. firms competing for contracts to construct fertilizer plants in China.

There is a program in remote-sensing satellite imagery and air photos to monitor and assess natural resources and changes in the environment. We have a program underway at the Asian Institute of Technology in Bangkok. Chinese participants could be sent there for specialized training.

In addition, AID has an alternative energy training project at the University of Florida which provides training in solar, biomass, and geothermal technologies. Chinese participants could be sent there for specialized technical training.

And another possible area for assistance is census and statistical techniques for Chinese universities and planning bodies which could, through the U.S. Bureau of Census, which would provide short- and long-term training and technical assistance in sampling design, survey methodology, and design census techniques, and computer software.

These are, in brief, Senator Glenn, the kinds of activities.

Senator GLENN. Well, with money at a premium for anything that we do abroad and with our involvement in quite a number of Asian nations, would anything we do in this regard be add-ons to existing funding and budget requests? In other words, would this come at the expense of other Asian nations which might otherwise have been able to participate in other programs?

Mr. SHOESMITH. I think the answer to that, Senator Glenn, is clear: It would not be add-ons, and it would not be at the expense of any other countries in the region or elsewhere that we have those kinds of programs.

Senator GLENN. Would you explain that a little? You cannot have a freebie here, it seems to me. Something is going to cost money somewhere if we are to help and if it is not going to be an add-on and not going to be at the expense of other nations.

Mr. SHOESMITH. We contemplate certainly that if the laws are amended, we contemplate only a very limited program which we will have to put together very carefully within the funding availability, without depriving other countries. And it is my understanding that we feel a limited program could be structured within those constraints.

Senator GLENN. You are outlining what you think are things that we might be able to do.

Mr. SHOESMITH. That is correct.

Senator GLENN. But you indicated we have not really had discussions with the Chinese. Have they informally or otherwise indicated what their interest is and what their own view of what they need is?

Mr. SHOESMITH. Not in terms, so far as I am aware, not in terms of their participation in these kinds of programs.

Senator GLENN. Let me skip over to South Korea. The South Korean Government has fallen behind in its modernization plans for the military because of economic problems. How far behind schedule are they? Can you give us an estimate on that?

Mr. JAMESON. Senator, the first force improvement plan that was initiated back in 1975 ended up slipping approximately a year and a half. The Koreans have just started on their second force improvement plan, which will entail the procurement of approximately \$4.7 billion worth of material from the United States between now and fiscal year 1986.

We feel that there is empirical evidence to suggest that the Korean economy, the difficulties the Korean economy is suffering, is translating into deferrals and cancellations of some rather important defense programs. We feel that the fiscal year 1982 supplemental of \$29 million for Korea is essential if further deferrals are not to occur, if further slippage is not to occur.

Senator GLENN. Well, the next obvious question is, is this serious enough so that there will be a change in the balance between North and South Korea? If so, what do we plan to do about it?

Mr. JAMESON. Sir, I think what we are talking about should be characterized as an imbalance between North and South Korea when you exclude the factor of American forces in the theater. The present imbalance between the two ground armies, the North Korean Army is approximately 37 percent larger than the South Korean Army. And the Air Force, the North has almost a 2-to-1 advantage in terms of combat aircraft.

In naval terms, it is an approximately 4-to-1 advantage, in terms of combatants. And South Korea has no submarines, whereas North Korea has quite a number of them.

So what we are really looking at is a gross imbalance that we are trying to contain, to alleviate. Even if the present force improvement plan 2 is fulfilled, we anticipate that there will still be an imbalance existing between the forces of the two countries.

Senator GLENN. If this imbalance is getting worse instead of better, is there any chance we might have to reinforce U.S. troops in Korea instead of withdraw sometime in the future? Might we have to increase U.S. forces there?

Mr. JAMESON. It is very difficult to determine how the North Korean force improvement plans will progress. They are currently spending approximately 20 percent of their gross national product on defense. As you know, Senator, the Soviet Union could determine that it wants to introduce a few squadrons of Mig-23's into the North Korean inventory and it could take action of a precipitous nature which would throw the existing balance, when U.S. forces are considered out of

balance. In that event, I think we would have to carefully consider what action we would take.

Senator GLENN. If this is the direction we are headed with the Korean ability decreasing somewhat and the balance between themselves and North Korea eroding, I would presume then that we do not—well, do you see any time in the foreseeable future when U.S. forces might be withdrawn or reduced?

Mr. JAMESON. No, sir, not if present trends continue. Well, let me restate that. I think the present trend is to close the gap.

Senator GLENN. To close the gap?

Mr. JAMESON. The present trend is toward closing the gap between North and South Korean forces.

Senator GLENN. But I thought you said that with the economy down, their force modernization program has been set back some, and that would indicate that with North Korean forces growing, the gap is widening instead of closing.

Mr. JAMESON. Our information from North Korea is very difficult to get. You may be correct in your assessment. I have not seen an assessment lately which really addressed what the situation is at the present time. You could well be correct, Senator. We are just trying to do the best we can to alleviate what we know to be at this point in time or what we suspect to be the present disparity between the forces.

Senator GLENN. What kind of efforts do we have to make a determination on this? That is a very important matter. It seems to me, if that imbalance got too wide, North Korea might exercise its option for a military reunification. Do we have any studies under way on that at the present time? Who is doing what on this? It seems to me that this is rather critical in that part of the world.

Mr. JAMESON. Senator, I would guess that we have a continuing effort to assess the North Korean military capabilities. I do not know of any particular study at the present time targeted in that direction. But I agree with you that it is extremely critical information that we need to know in order to make intelligent judgments on our support for South Korea.

Mr. SHOESMITH. If I might comment briefly on that, Senator Glenn, it is my understanding that if the Republic of Korea is able with our assistance to complete its present force improvement plan, the second plan, it would take it about 9 years at present levels, of their input and our input for military assistance, about 9 years to complete the present force improvement plan.

And that would maintain—the imbalance would not be any worse—it would maintain or keep us about where we are. With increased growth in the Korean economy, freeing up added resources for its force improvement plan and some increase in our assistance over the next several years, it could probably complete this program.

Senator GLENN. Yes, I understand. But that is not the direction we are headed. And that was my original question; that is, on the downturn in the economy. They are behind in their force improvement plan, and apparently we do not see them recovering completely on that for a while. So the force improvement plan that they have had they are getting behind on, which means the imbalance is getting

worse. The trends are all in the wrong direction, and that is what I was concerned about.

Is this going to mean that we will have to put more FMS in there or more grants of some kind or more American forces? We cannot see that imbalance grow to such an extent that it might encourage the North Koreans to do something stupid.

Mr. SHOESMITH. Much depends on whether their economic growth begins to pick up momentum. They had two very bad years in 1980-81. They are doing somewhat better now. We expect that their economic growth rate in 1982 will be approximately 6 percent. So they should be able to get back to correct from their own resources the slippage that has been referred to.

Senator GLENN. All right. Let me go back a minute to the PRC, because there is one thing that I wanted to get in which I did not get in before.

The CHAIRMAN. I wonder if I could ask you to yield at some point in your questioning where you could break off? I am covering for Senator Hayakawa while he is making some phone calls. But I do have a couple of questions that I do want to ask. Just stop at a continuity point, if you would be so kind.

Senator GLENN. OK. Let me close this subject out. Let me ask this: Would further changes in the law be required to authorize military assistance to the PRC? And if so, what changes would we have to make?

Mr. SHOESMITH. I cannot answer that question. I do not know the answer to that question.

Do you, Mr. Jameson?

Mr. JAMESON. I would imagine that the restrictions contained in section 620 of the Foreign Assistance Act would have to be rescinded.

Senator GLENN. So it is your estimate then that the law would have to be changed to permit military assistance to the PRC?

Mr. JAMESON. Senator, I have not considered this too carefully.

Senator GLENN. But it seems to me that is rather crucial when we have the wish list over there and the request list that we have been considering for almost the last year in the Pentagon.

If we are not able to grant any of that unless we change our law, we had better be doing some work with the Congress to get the law changed, or all these discussions and all these meetings back and forth with the PRC will be for naught. Is that correct?

Mr. JAMESON. Sir, we will certainly find out the answer to your question and get back to you on it.

Senator GLENN. That is so fundamental, I would think somebody would have already looked into that one.

Mr. SHOESMITH. My understanding, Senator Glenn, was we had not contemplated military assistance; we have contemplated sales. And we have amended the international regulations on arms trade to permit private companies to offer data to the Chinese on sales. But my assumption has always been—

Senator GLENN. Well, government-to-government sales are also very much controlled by law, of course.

Mr. SHOESMITH [continuing]. Of course.

Senator GLENN. Are there any changes necessary, as you see it right now?

Mr. SHOESMITH. That I cannot answer today. We will have to find out. It is my impression that there are not. But we will have to find out. [The information referred to follows:]

Question 1. Will additional legislative changes be required to permit China to participate in government-to-government sales under the FMS system?

Answer. No. Sales to China would be subject to the general requirement for FMS eligibility contained in Section 3 of the Arms Export Control Act. These requirements include a finding by the President that FMS sales to China will strengthen the security of the United States and promote world peace.

Question 2. Will additional legislative changes be required to permit China to purchase military equipment from the United States?

Answer. No. There is no specific prohibition under current law against the sale by U.S. firms of military equipment to China. The export of such equipment is subject to the International Traffic in Arms Regulations promulgated pursuant to Section 38 of the Arms Export Control Act. These regulations were recently amended to permit commercial exports of munitions-list items to China on a case-by-case basis.

Question 3. Would further changes other than those already proposed be required to make China eligible for security assistance?

Answer. No. If the prohibition on assistance to China contained in Section 620(f) of the Foreign Assistance Act is removed, military assistance of the kind authorized by the Act could be provided to China, subject to the restrictions, limitations and procedures generally applicable to all such assistance. However, we have no plans to provide military assistance to China.

Senator GLENN. It seems to me we may be attempting to build people up to perhaps great expectations, which are liable to let down if we still need changes in the law in order to do some of these things.

There was the original list of some 80-odd military items that the PRC wanted to discuss. I believe that was reduced, and the current amount, as I understand it, is 53 or something like that that we are still talking about or negotiating over or at least considering. I do not believe that has been withdrawn by the PRC yet as their areas of interest.

Now, if these are not to come to fruition until we have some law changes or legal changes in our own statutes here, then we should be working very, very closely with this committee and with the Congress.

Mr. SHOESMITH. I understand that.

Senator GLENN. Can you get a reading on that for us and send it back to us for our committee records? It seems to me that is so fundamental that we should have already had that one ironed out a long time ago.

Mr. SHOESMITH. Certainly.

Senator GLENN. Thank you.

The CHAIRMAN. Secretary Shoesmith, I came in particularly this morning because of a cable that Senators Pell, Cranston, and I received from former Majority Leader Mansfield, our Ambassador to Japan. We do not hear from him too frequently anymore, and when he cables in, we pay attention to it. He said:

For many years, I have watched the Asia Foundation with admiration. Its private activities complementing public efforts to improve understanding between Asia and the U.S. have proved most valuable. I am especially impressed with the projects being carried out by the Foundation here in Japan under Jim Stewart's skillful, experienced leadership. The project under which Japanese commentaries are translated and distributed to numerous American newspapers and others is particularly useful; the strengthening of American studies collections at Japanese university libraries could have a major impact on the level of knowledge about the U.S. among future Japanese leaders.

I do hope something can be done to assure that the Foundation will be able to continue this kind of important work. Warmest regards, Mike Mansfield.

Despite the fact that in the State Department study that was signed off on by Deputy Secretary Clark before he left, strongly supported by Walter Stoessel, by Secretary Haig, and as I understand it, by every area chief, OMB has not seen fit to include the Asia Foundation in the budget.

I have cabled Ambassador Mansfield as follows:

I appreciate very much your message of the 15th concerning the contribution which the Asia Foundation makes to our foreign policy objectives in Japan. I couldn't agree more with you that the Foundation plays a vital part in our foreign policy and I have long held this view.

The Asia Foundation is strongly supported by Senators John Sherman Cooper, Ambassador Phil Habib, Ambassador Ellsworth Bunker, Ambassador George McGee, and strongly supported by a recent report of the State Department approved at the highest levels. Because Asia Foundation was not included in the budget, an amendment will be offered by Chairman and Ranking Member of the area subcommittee, Senator Hayakawa and Senator Glenn, cosponsored by myself, Senators Pell, Mathias, Cranston, and others on the committee and will be supported by our counterparts in the House.

I am considering asking for a possible 3-year authorization to ensure continuity and to remove doubts about the Foundation's continued existence, with the understanding that Hayden Williams, the president of the Asia Foundation, and the board of trustees will intensify their efforts to raise substantially more private cash support from American and Asian sources to help ensure a stronger future program. In testimony yesterday, Charles Wick, director of ICA, was enthusiastic about Asia Foundation. One possibility is to add the Foundation as a line item in his budget.

Warmest personal regards to you and Maureen,

CHUCK PERCY.

The Asia Foundation Board is meeting tonight in Washington with Ellsworth Bunker as the host. With this kind of support and with security assistance down to only 6 percent of our worldwide effort the Asia Foundation is particularly important. I would appreciate your supplying now or for the record what our overall economic and military assistance is in East Asia as a percentage of our worldwide budget.

Do you happen to know that figure offhand?

Mr. SHOESMITH. Overall economic and military.

Senator GLENN. Yes. Security assistance for Asia is 6 percent of our worldwide. What is our combined economic and security assistance for Asia?

Mr. SHOESMITH. Well, I will have to supply that for the record.

The CHAIRMAN. If you would supply that for the record at this point, we would be most appreciative.

Mr. SHOESMITH. We certainly will.

The CHAIRMAN. We will ask the chairman of the subcommittee to keep that record open then for that period.

[The information referred follows:]

	Percent
Fiscal year 1981, Actual.....	6.2
Fiscal year 1982, Estimated.....	4.9
Fiscal year 1983, Proposed.....	4.8

The CHAIRMAN. Would you give us what your feeling is in the bureau now? We have such a small percentage of our resources going to an area that dominated foreign policy and almost tore this country apart. I just came from Thailand and studied the program there. The Asia Foundation has a solid program, highly regarded by the Thai and the Thai Government.

In Sri Lanka, nearby, not in your direct area but in the Near East, we also have a solid program which is highly regarded by the President of Sri Lanka. We have evidence right here from our own Ambassador that Japan highly regards it.

The budget is a modest budget, \$4.5 million. The symbolism to me, after a quarter of a century of continuous service to Asia, is important. This is an organization that, by its own character, helps to implement the foreign policy of the United States.

How can you not have something like that in the budget? It is supported by the Secretary of State and the Deputy Secretary. Is OMB running our foreign policy, or do we always have to sit here and decide what is best for foreign policy and then put that in the budget as we have year after year but always having the uncertainty?

We put more time in on this than we put on our major items, and I just do not understand why we cannot make our point with the administration.

Isn't there clout in your bureau to say, look, this is important? Maybe you can make a record right now that will impress the committee as well as put on the record what you really feel about the Asia Foundation and whether it ought to be folded up, as is threatened, or continued.

Mr. SHOESMITH. I appreciate your interest in the Asia Foundation, and I certainly share your view as to the important contribution that it has made. I myself have seen the Asian Foundation in Korea in the early days, 1958 to 1960 in Japan. I am familiar with what it has done in other parts of the world.

Certainly, that type of effort, it seems to me, is an essential part of our overall relations with the countries of East Asia and in other regions as well. I am not familiar with how the Asia Foundation has operated in some other areas.

I cannot, unfortunately, Senator Percy, enlighten you as to why we have the amount of difficulty we have in obtaining the necessary support for it. You are probably familiar with the fact that the Budget Review Board very recently came to a decision that we would not request, the administration would not request, an appropriation for the Asia Foundation.

I hope some way can be found to continue the good work that the Asia Foundation has done. It establishes a type of relationship in terms of understanding of what our country is about as well as our understanding of those countries which is absolutely essential to the effective conduct of diplomacy. I hope some way can be found.

The CHAIRMAN. Well, I agree with you.

Mr. SHOESMITH. I believe, Senator Percy, that we, the Department, owe you a report on the future funding of the Foundation, and that should be coming to you fairly shortly. I do not think I can go much beyond that, Senator Percy.

The CHAIRMAN. I appreciate your comments very much. I can assure you that this committee will do its part. I just cannot conceive of the kind of harm that would be done if after a decade of preoccupation with Asia we suddenly make it look as though it is not important enough to even continue an organization whose demonstrated contribution has been just immeasurable, far beyond the dollars that go in,

when particularly it is matched by heavy contributions from the private sector.

This is the essence of what the Reagan administration is all about: do as much as you can through the private sector, as much as possible. PVO's have proven their value and their worth in this regard. They can do many things that Government really cannot do and do it far more efficiently and effectively. To undercut it at this particular time, in my judgment, would be tragic.

Thank you very much.

Thank you, Senator HAYAKAWA.

Senator HAYAKAWA. Mr. Shoesmith, I will ask just a few questions about Thailand before we adjourn this morning.

Last August, the Thai told me when I visited there that their first priority among new weapons systems was air defense. This was followed by tanks, howitzers, and ground attack aircraft. How does the program you are proposing relate to these priorities? They were especially concerned about air defense, as is reflected in their priorities. Have we been of assistance to them in this area since last August?

Mr. JAMESON. Mr. Chairman, we have issued a letter of offer to the Thai Government for a number of Vulcan air defense systems, a 20-millimeter gun system. They have not accepted yet that letter of offer.

Senator HAYAKAWA. What is the name of the air defense system?

Mr. JAMESON. The Vulcan. It is a General Electric product.

Senator HAYAKAWA. What is that?

Mr. JAMESON. It is a very rapid rate of fire antiaircraft gun. I believe it has six barrels and is a Gatling-type gun.

In addition, the Thai have requested planning and review data for a number of improved Chaparral surface-to-air missiles, short-range, surface-to-air missiles. They have requested planning and review data for a variety of U.S. aircraft. But so far, there has been no followthrough on that. I think they may be rather daunted by the costs that we have quoted to them.

The way the Thai program looks right now, their primary emphases are on mobility, antiarmor capability, improved air defense, and artillery firepower.

Senator HAYAKAWA. Thank you. The administration proposed an increase in overall FMS financing for Thailand and an increase in economic support funds. Will this assistance help Thailand to meet the threat from Vietnam? Would the Thai military be able to defend the nation without outside assistance in equipment and manpower with or without these increases?

Mr. SHOESMITH. What we have requested we believe will make a significant contribution to the Thai efforts to upgrade their defense capabilities, the modernization of their military forces. Whether Thailand could by its own resources meet an external threat is a somewhat speculative question. It depends on what size the threat is.

But certainly, we have a commitment under the Manila Pact to consider within our own constitutional processes what we would do in the event of an external attack against Thailand. That is reconfirmed, as you know, in the Rusk-Thanat letter.

The forces that Vietnam now has in Kampuchea pose a formidable threat to Thailand. And it is important that what we do in assisting

Thailand in increasing its capabilities have an effective deterrent effect. That is where the emphasis is now, attempting to avoid such a situation as your question posits.

Would you have anything to add to that?

Mr. JAMESON. Yes, sir.

Mr. Chairman, I would just like to add that Thailand, as in the case of Malaysia, is currently in the process of reorienting its armed forces from primarily a counterinsurgency role to a general conventional warfare configuration.

Senator HAYAKAWA. What is the center of insurgency?

Mr. JAMESON. The proximate stimulus for this, of course, is the presence of approximately 180,000 troops on the Thai-Kampuchea border, backed up by all the combat potential of Vietnam.

Also, I believe the increasing Soviet presence in the region lies behind a lot of these concerns.

Senator HAYAKAWA. These constitute a standing threat, do they not?

Mr. JAMESON. Yes. It constitutes a real and present threat to Thailand. They need to change the character of their armed forces from one of primarily counterinsurgency forces to a more conventional role.

Now to do this, they need to purchase some pretty heavy equipment, as you might well imagine, including additional helicopters, both transport and gunship-type helicopters, and additional artillery pieces—artillery-locating radars are very expensive items—also armored personnel carriers, antitank guided missiles. I believe they are looking for a patrol ship, too, which would be a considerable expense.

To give you an idea of the magnitude of the costs involved, what we are seeing right now is our outstanding letters of offer total approximately \$111 million which have not yet been accepted by Thailand, and requests for procurement information, were the sales consummated, would amount to approximately \$285 million. That is a total of \$396 million just in procurement of major end-items, not including operating and maintenance requirements, which could run about \$50 million a year.

So during the remainder of fiscal year 1982 and fiscal year 1983 we could see Thailand sign letters of offer valued at \$446 million against a projected credit availability of \$176 million, which would mean a deficit of \$270 million which they would have to make up from their own resources.

The terms of credit we allow Thailand are 12 years to repay the guaranteed credit and over a 12-year period they would end up repaying a little more than 200 percent of the original principal. So it is quite a drain.

Let me say also that they are scheduled to pay back to us in fiscal year 1983 \$36 million, so the effective funds that will be made available in fiscal year 1983 if we are allocating \$91 million, as we requested, you can just subtract \$36 million off the top as far as new funds available for procurement of new items.

My whole purpose in this is just to describe the enormity of the problem that this involves, and really our security assistance program is not even beginning to satisfy the requirements that these countries have. We are seeing some real problems right now.

Senator HAYAKAWA. The Thai were especially enthusiastic about our international military education and training program

[IMET] and they said they hoped to have 239 students in training in the United States in fiscal year 1982. Has this come to pass? Do you know?

Mr. SHOESMITH. In fiscal year 1982?

Mr. JAMESON. I think it is pretty close to that. They are projecting 369 students for fiscal year 1983.

Senator HAYAKAWA. 369?

Mr. JAMESON. Yes; with a \$750,000 increase in IMET.

Mr. SHOESMITH. That is a 52-percent increase.

Senator HAYAKAWA. That is a big jump, isn't it?

Mr. SHOESMITH. Yes; it is the largest jump, I believe, in our projection.

Senator HAYAKAWA. Both in the Philippines and in Thailand there is a real enthusiasm for this program.

Mr. SHOESMITH. Do you have the projections for the Philippines?

Mr. JAMESON. Yes. For the Philippines we are asking for a \$300,000 increase over fiscal year 1982 for a level of \$1.3 million, and that would train 370 students in the United States.

Mr. SHOESMITH. I know of your own personal interest in this program, Mr. Chairman, and it has been very helpful to us.

Senator HAYAKAWA. I am very glad of that.

Mr. SHOESMITH. I think your interest and the help you have given is reflected in these increases, particularly for the Philippines and Thailand, but also, I believe, in Indonesia as well and in Malaysia, where there is a substantial increase which is responsive to the efforts of the Malaysian Government to double the size of its forces.

Again, as has been pointed out, they share this effort to try to reorient their forces from a guerrilla-combating insurgency to a more conventional force structure responding in turn to the threat that they perceive most immediately from Vietnam but also to the increasing Soviet presence in the area.

Senator HAYAKAWA. Thank you. I believe very strongly in that program since the young officers come and spend time in the United States and get acquainted on an everyday basis with the way we live. They make friends here, life-long friends.

Mr. SHOESMITH. Quite so. It also helps to have these programs in the various countries of ASEAN because it insures a greater commonality of view as to doctrine and equipment which is important, while they do not coordinate their security efforts to their individual efforts for meeting a common threat.

Senator HAYAKAWA. I have one last question about Thailand. What is the present status of our utilization of Utapao Air Base?

Mr. SHOESMITH. We are using it somewhat more for transit aircraft to relieve the pressure on the main international airport at Don Maung, using it somewhat, but we do not have any personnel stationed there.

Senator HAYAKAWA. It is not connected with our security assistance program?

Mr. SHOESMITH. No; it is not.

Senator HAYAKAWA. I see. Now let me turn for a moment to the Philippines. Does the overall aid package being provided to the Philippines assure our continued access to the bases?

Mr. SHOESMITH. Yes; I believe it does. I believe it contributes very importantly to that. It follows through on the commitment that we

made to maintain or to provide some \$500 million, a commitment at the time the Military Bases Agreement was amended to provide some \$500 million over a 5-year period in military assistance.

We also had an implicit commitment to maintain our developmental assistance for 5 years at approximately the level of 1979, so I think in both respect we are, with the help of Congress, following through on the commitment that were important to the revision of that Military Bases Agreement, and I think that fact should assist us when we come up with the scheduled review in 1983-84 of the Military Bases Agreement.

Senator HAYAKAWA. Do we have some kind of agreement about the living conditions around the Clark and Subic bases?

Mr. SHOESMITH. I do not know that we have an agreement. A good bit of our economic support funds are used for that particular purpose, but also I think for other areas of the Philippines, but particularly for roadbuilding, bridge building, water treatment and the like in areas around the bases.

I think that tends to ease the kinds of problems that inevitably occur. Even in the United States, I understand there are some problems in the areas around our military facilities here, but I do not believe there is a specific commitment to assist in that area.

Senator HAYAKAWA. Both of these bases are essential to us, aren't they?

Mr. SHOESMITH. Subic and Clark are absolutely essential to the maintenance of a credible deterrent posture in the Western Pacific. Mr. Chairman, I am confident that we could not find comparable alternative bases to those two bases.

Senator HAYAKAWA. I think it is not necessary to go any further this morning on these subjects. I am very grateful to all three of you gentlemen, Mr. Shosmith, Mr. Jameson, and Mr. Halligan, for your answers.

We would like to ask our witnesses to reply to written questions which Senators Glenn, Tsongas, and others will submit for the record.

Mr. SHOESMITH. Thank you, Mr. Chairman.

Senator HAYAKAWA. This meeting will recess until 1:30 this afternoon.

[Whereupon, at 11:20 a.m., the committee recessed, to reconvene at 1:30 p.m., the same day.]

AFTERNOON SESSION

Senator HAYAKAWA. Good afternoon. The meeting will come to order. This afternoon we will examine the administration's request to eliminate prohibitions in the foreign assistance legislation against aid to the People's Republic of China. The administration has proposed that we remove the PRC and Tibet from the list of countries named in section 620(f) and that we allow the PRC to be eligible for Public Law 480, the food for peace programs.

We have a distinguished panel of witnesses to present testimony on the proposed changes and to discuss them with us. Mr. Roger Sullivan is vice president of the National Council for United States-China Trade. Dr. Ramon Myers is senior fellow and curator-scholar of the East Asian collection in the Hoover Institution at Stanford Univer-

sity in California, and Dr. John Sullivan is vice president of Development Associates, Inc., and served formerly as Assistant Administrator in charge of Asian affairs for AID. Dr. Sullivan, hello.

We would like each of these witnesses to summarize his remarks in, if possible, 10 minutes. Written statements of greater length can be submitted for the record. After we have heard from each witness we will begin the questioning.

Mr. Roger Sullivan, would you care to begin?

STATEMENT OF ROGER W. SULLIVAN, VICE PRESIDENT, NATIONAL COUNCIL FOR UNITED STATES-CHINA TRADE, WASHINGTON, D.C.

Mr. ROGER SULLIVAN. Thank you, Mr. Chairman. I appreciate the opportunity to appear before your committee to support the administration's proposed changes in the Foreign Assistance Act and the Agricultural Trade Development and Assistance Act of 1954.

Let me begin by introducing my organization. We are a private, nonprofit organization of approximately 500 American companies doing business with China, and although we were founded in 1973 with the encouragement of both the United States and the Chinese Governments, we are independent of both and we are supported solely by our membership.

In supporting the administration's proposals we are not suggesting that this is the time to consider an aid program for China. At a time of budget stringencies, it is clearly not appropriate to consider a major aid program nor is one required at this stage in the development of United States-China economic relations.

There are, nevertheless, some practical benefits to these changes. The proposed amendment would enable China to participate, as we understand it, in some training and regional technical assistance programs already funded and we believe that is probably adequate at this point.

Senator HAYAKAWA. If you would excuse me a moment, let me ask if everyone at the back of the room can hear all right.

[Pause.]

Senator HAYAKAWA. Fine. Thank you. I just wanted to be sure that the microphone was close enough to you.

Mr. ROGER SULLIVAN. Certainly. Down the road it may be desirable to consider some programs, particularly related to the development of China's energy resources. We have heard a lot about oil and a lot about coal. Both of those can be funded by private enterprise. In the hydro power area, however, it may be desirable to have some sort of program. We find our competitors are already funding feasibility studies for these programs which are not permitted, as we understand it, under current law.

Under Public Law 480, given the large commercial market already established in China, it is not necessary or appropriate to have a program, with the possible exception of tobacco, and this is a good illustration of why these changes would give us the kind of flexibility that the United States ought to have to respond to opportunities. I was approached informally last year by a Chinese official who asked if they could buy tobacco for local currency. It is too bad Senator Helms is not here because they were talking about 100,000 tons. I told

him that, unfortunately, it was not allowed under the law as it was currently written.

In short, it is possible to point to some practical benefits of these changes. But we are by no means suggesting that these are major or even that we could quantify them in terms of either increased trade or improved competitive position for American companies in China. What we are talking about is, first of all, flexibility—the need to give ourselves as a country the necessary flexibility to respond to a rapidly changing situation in China.

We are also talking, perhaps most important of all, of symbolism. Symbolism is no less important in business than it is in politics and diplomacy. Over the last 10 years and under four administrations the United States has, step by step, removed the obstacles to full normalization of economic and commercial relations between the United States and China. The issue here before us today, then, is not why should we remove these two remaining vestiges of an earlier period, but rather why should the normalization process stop at this point.

We believe it would be most unfortunate if the Congress were to reject these modest proposals. The process of negotiating and conducting business abroad is difficult enough without adding, or refusing to remove, unnecessary irritants. But more to the point, it would say to the Chinese and to the world at large that the United States did not wish to complete the process of normalization with China and we think this could not help but have a strongly negative effect on the progress and growth in our economic relationships.

The National Council and its membership, therefore, strongly urges that the Congress approve these proposals made by the administration. Thank you, Mr. Chairman.

[Mr. R. Sullivan's prepared statement follows:]

PREPARED STATEMENT OF ROGER W. SULLIVAN

Mr. Chairman and Members of the Committee: I appreciate the opportunity to speak before you today in support of the administration's proposal to amend the Foreign Assistance Act and Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). The proposed changes would eliminate the blanket prohibition on assistance to China, and would remove prohibitions against sales and assistance to China under Public Law 480.

The National Council for United States-China trade is a private, non-profit organization founded in 1973 with the encouragement of the governments of both the United States and the People's Republic of China to promote and facilitate bilateral trade. We represent nearly 500 large and small American firms engaged in business with China.

In the 10 years since the signing of the Shanghai Communique, we have done \$16.8 billion worth of business with China. The United States is China's third largest trading partner, after Japan and Hong Kong, accounting for 28 percent of worldwide exports to the PRC. Last year two-way trade between the United States and China reached \$5.5 billion, an increase of 13.6 percent over 1980. The further expansion of our bilateral trade is clearly in the interest of both sides.

The U.S.-China Trade Agreement of 1979 called on both sides "to adopt all appropriate measures to create the most favorable conditions for strengthening, in all aspects, economic and trade relations between the two countries so as to promote the continuous, long-term development" of trade relations. Now, 3 years later, a number of self-imposed obstacles remain in our own laws. These legislative impediments, enacted at a time when China was viewed as a hostile nation and a member of the Soviet bloc, no longer reflect the view of the executive branch, which, following a recent review of relations with China, concluded that it is "in our national interest to foster a strong, secure and friendly China capable of deterring potential aggressors—and to participate in China's

economic development for the benefit of China and the United States." (Federal Register, Volume XLVI, No. 249, December 29, 1981).

We are confident that just as these provisions of law are no longer consistent with the position of the executive branch, neither do they reflect the current view of the Congress. We urge you therefore to make your position clear. It is in this context that we ask that you too support the administration's proposal to enact the desired changes in the two acts.

FOREIGN ASSISTANCE ACT OF 1961

The Foreign Assistance Act of 1961 prohibits any assistance under that act to the PRC. Section 620(f) of the Act states that such aid cannot be provided to any Communist country unless the President determines that such aid is "vital" to the security of the United States, the recipient country is not controlled by "the International Communist conspiracy" and that such aid will further promote the independence of the recipient from "international communism." The same section of the law specifically names China, along with the U.S.S.R. and its Warsaw Pact allies, as a country covered by this prohibition.

This mechanism for granting a waiver is cumbersome, time-consuming, and unnecessary. To argue that there is no need to change the law because the President can act alone without support from Congress is not reasonable and tends to perpetuate the impression that a policy difference exists between the legislative and executive branches. As it now reads, the Act implies that China is still to be considered as a part of the Soviet bloc. This confuses officials in the executive branch as to the intent of Congress, leading to problems in implementing provisions of this Act and related legislation such as export control regulations.

The Act as it now stands also limits actions that the United States might take which could result in long-term business opportunities for American firms. During this time of budgetary stringency, no one would seriously propose that Congress consider a concessional aid program for China. That is not the issue. But as a developing country with a per capita GNP of less than \$300, China is a prime candidate for targeted, case-by-case U.S. economic assistance of the sort that would have long-term, positive effects on United States-China economic relations. For example, amendment of the Act would permit China to participate, as do most other countries, in training and other technical assistance programs such as the agricultural research programs funded by the United States at the International Rice Research Institute in the Philippines. As China develops we may find it in our interest to fund a modest program of technical training or feasibility studies in energy and natural resources, management training, assistance in project work, and economic planning, all of which would make future Chinese purchases of U.S. technology, services, and equipment more likely.

AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954 (PUBLIC LAW 480)

The second amendment embodied in this year's Foreign Assistance Authorization (Supplemental) Request is the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). As it now stands, this Act restricts sales of agricultural commodities under Title I and food assistance under Title II to "friendly" countries, defined in Sections 103(d) and 103(j) as those not "dominated or controlled by government or organization controlling a world communist movement," an anachronistic definition which in the implementation of the law, has been applied to the PRC.

Last year China did receive a limited amount of Title II U.S. agricultural products indirectly. This was done under provisions of the Act allowing shipments of commodities to Countries such as the PRC via multilateral organizations, but Title I concessional food aid to China is currently prohibited under the Act. The executive branch ought to have the flexibility to be able to respond quickly and ship such commodities directly.

China is already our fourth largest overseas market for exports of agricultural products. It is our largest export market for wheat and cotton. 54 percent of our exports to China last year were agricultural commodities. Under the 1980 U.S.-China grain agreement, the PRC agreed to buy 6 to 8 million metric tons of wheat and coarse grains (including corn) per year through 1984.

Given the large commercial market for agricultural products already established in China, we do not see any current need for Public Law 480 assistance.

We do consider it desirable, however, that the law be changed both to increase our own flexibility and for the symbolic value of such a change.

We are not suggesting that these changes would result in immediate or easily quantifiable increases in trade or strengthening of American competitiveness abroad. The issue is not why we should make these changes, but rather why we should stop the process of normalization of relations short of this point.

For over 10 years and under four administrations the United States has worked systematically to effect normalization of economic and commercial relations to parallel that of political and diplomatic relations. Had the administration been unwilling to propose these changes, or if Congress were now to fail to enact them, the progress toward full normalization would not only stop but the United States would in effect put itself on record as saying it did not wish to complete that process.

There is no doubt that the effect of such a signal on the climate for doing business in China would be strongly negative. Symbolism is everybit as important in business relations as it is in diplomacy or politics. The process of negotiating and conducting business abroad is difficult enough without adding—or refusing to remove—unnecessary symbolic irritants to the relationship.

The National Council for United States-China Trade, therefore, urges adoption of the administration's proposal to amend the two bills concerned.

Senator HAYAKAWA. Thank you, Mr. Sullivan. Dr. Myers of the Hoover Institution will be our next witness. Please proceed.

STATEMENT OF RAMON H. MYERS, SENIOR FELLOW AND CURATOR-SCHOLAR OF THE EAST ASIAN COLLECTION, HOOVER INSTITUTION ON WAR, REVOLUTION AND PEACE, STANFORD UNIVERSITY, STANFORD, CALIF.

Mr. MYERS. Thank you, Mr. Chairman. In order to give economic aid to Communist China, three conditions must be satisfied, as stated in section 620(f) of the Agricultural Trade Development and Assistance Act of 1954. These are: One, such assistance for China is vital to the security of the United States; two, that China is not controlled by the international Communist conspiracy; and, three, such assistance to China will further promote the independence of the recipient country from international communism.

I do not think at this time that these three conditions have been met to justify granting economic aid to China. For the best interests of the United States, I strongly recommend that Congress defer for several more years before making any decision to remove China from the list of Communist countries which should not receive economic aid from the United States. My reasons are the following.

First, to the issue of is China vital to the U.S. security, what are the arguments for China being vital for U.S. security? Second, China can serve as a counterweight against Soviet expansionism. Now there is no evidence to this and more likely China only provokes Soviet expansionism.

Since Sino-American normalization, the Soviet Union has invaded Afghanistan as of December 28, 1979, and greatly increased her involvement in Vietnam and China. Further, the Soviet Union has expanded her military troop strength and constructed more SS-20 intermediate missiles in Northeast Asia since normalization.

As long as the Soviets perceive a U.S.-Sino alliance forming, they are going to take steps to counter that alliance and, therefore, tensions will escalate in the region and following tensions we are very likely to have an arms race as well.

Second, China can help the United States by easing tensions in the Korean peninsula. This is another reason given for its security importance to the United States. This is idle speculation. One can equally argue the opposite. North Korea so far has cleverly tilted back and forth between Moscow and Beijing whenever it has suited her national interest. Driven by powerful nationalistic impulses, North Korea will not be restrained by either Communist state if she chooses to go to war on the Korean Peninsula.

Third, China can help the United States by bleeding Vietnam in Kampuchea. This is a most dangerous and misleading argument. The conflict has merely increased the Soviet presence in Southeast Asia. Further, that conflict might spread into Thailand and involve the ASEAN States. Those states have already more than doubled their military outlays since 1975 and these expenditures now weigh heavily on their fragile economies.

U.S. interests would best be served if that conflict could be resolved, if a balance of power in the region were established and the Soviet Union ejected from the region. China's policy toward Vietnam will not achieve those objectives, which are vital for U.S. security.

Fourth, by giving China economic aid the United States can prevent a Soviet-Sino rapprochement that might threaten the United States. Now there is little evidence that the historical and the current tensions between these two states will ever be resolved as to produce an alliance like that of the 1950's.

Second, the United States should not live in perpetual fear that such an alliance might be formed if it does not provide sufficient concessions to China. China can tilt toward Moscow any time it suits here. The United States would be far better served by not quickly establishing any alliance with China and instead building a security alliance system with the friendly Pacific Basin States. By opting for that strategy, the United States need never be constrained by the fear of a Sino-Soviet alliance, nor continue to make concessions to China without gaining any in return.

These arguments I have just stated simply are not powerful strategic arguments, nor do they have any empirical support for why China is now vital to U.S. security at this time. Therefore, I would recommend that Congress defer for several more years before placing China on the privileged list of countries to receive aid.

Second, is China part of an international Communist conspiracy? The Sino-Soviet split in the early 1960's divided Communist Parties all over the world into those pro-Soviet and others pro-Beijing. After Mao's death, Beijing's foreign policy gradually changed, but only gradually.

Until mid-1981, China still supported the illegal Communist Parties in Southeast Asia which followed both her revolutionary and foreign policy lines. The leaders of the Indonesian and Burmese Communist Parties still live in Beijing. Radio transmitter reports are beamed daily from southern China to the Communist Parties in North Borneo and Malaya. Beijing has continued to give material and spiritual aid to those parties and perhaps she still now does.

But then Premier Zhao Zihang traveled throughout the region in mid-1981 trying to mend fences. While he did not come out and say that Beijing will not support these illegal parties any more, he did

extend the olive branch of friendship to the ASEAN states to join China's efforts to head off a Vietnamese victory in Kampuchea over the Pol Pot forces. Not surprisingly, then, in 1981 the Burmese Communist Party began negotiating for the first time in its history with the government to end its fighting.

China also urged the Communist Party of Thailand to negotiate with the Thai Government. The year 1981 does seem to mark a watershed in the activities of those illegal Communist Parties and perhaps China is finally discouraging the violent overthrow of those ASEAN Governments by her revolutionary parties in the region.

But the leaders of Indonesia, Malaysia, Thailand, and Burma are still not sure if China's actions do mark a new trend that will continue or not. I suspect that now China merely wants ASEAN support for her efforts to destabilize the Vietnamese regime and her nationalist interests at this time supersede her revolutionary interests in the region.

If that is true, China could still reverse her policy toward those illegal Communist Parties at any time and urge they adopt the revolutionary line. Again, I think more time must elapse to determine definitely that China has truly detached herself from an international Communist conspiracy movement in Southeast Asia.

Three, will economic assistance further promote the independence of China from communism? The answer to that question is definitely not. China's leaders are firmly committed to communism and they aspire for communism to become a worldwide force and form of governance. Nor have China's leaders ever renounced Marxism, Leninism, and Maoism. They have not taken any steps to liberalize their political system nor make it more democratic. They are still committed to the concept of ruling China through a dictatorship of the proletariat.

As for the economy, in the past 3 years they have merely tinkered with that socialist, central planned economy to try to correct its serious economic dysfunctions. Fundamental reforms of the country have yet to be really introduced. Further, political factionalism in the country still influences economic policies so that even the reforms of the past 3 years only have zigged and zagged.

As China's leaders still remain committed to communism at home, they will offer at least spiritual sustenance to pro-Chinese Communist Parties abroad. Are those Southeast Asian parties merely instruments for Beijing's foreign policy toward that region? Finally, only the dynamics of internal change will really shape the political and economic system of China. No amount of U.S. aid or technical assistance is going to influence the ideology and governance of China by the Communist Party.

But suppose that Congress decides anyway that China has become a friendly and nonaligned country and deserves to be put on the privileged list to receive U.S. economic aid especially agricultural assistance. Should aid like Public Law 480 be given to China?

First, I remind this audience that numerous studies in recent years have constantly demonstrated that the transfer of economic aid to developing countries merely strengthens the role of the state. It distorts the operation of the market, and it produces many bad effects for suppliers. Expanding free trade, not aid, is recommended as the

best course for promoting the rapid, healthy growth of any developing country, and China is no exception.

But, second, suppose that we consider agricultural assistance as a first means to help Chinese agriculture to really get moving so that, China does not demand an excessive amount of food grain from the international market and, second, developing her agriculture will help her modernize so that she can become a reliable friend of the United States.

These two outcomes, desirable as they are, depend entirely upon whether or not U.S. agricultural assistance can really help get Chinese agriculture moving. I am optimistic about China's agricultural development, provided the state does not meddle in the affairs of the farmer and the state allows agricultural markets to function properly, and the state invests more in the human capital of the Chinese farmer.

But we should realize that China's socialist economy at this time is in a terrible mess. For 30 years the economy has had little or no productivity in the system. All measures of total factor productivity in Chinese agriculture over the past three decades only show that such an index has gone down as more capital and labor have been applied to the land. This implies that something drastically is wrong with the organization of agriculture. It is overly managed by the state and local bureaucrats, and the resources there are inefficiently used.

The current reforms by the party to give production teams more power to allow households to use their resources is, of course, a step in the right direction. But these reforms have not been institutionalized as yet. Until more time passes to demonstrate that China can successfully reform its defective socialist organizations and make them more innovative and responsive, I would recommend that U.S. taxpayers not have to pay for any transfer of agricultural assistance to China.

I conclude, then, that Sino-American relations must gradually evolve on their own momentum. Policymakers who believe that granting concession after concession to Beijing will improve these relations are very naive, I think, and they are not really working for the best interests of the United States.

Sino-American relations must be firmly built upon a spirit of reciprocity. So far there has been very little reciprocity demonstrated by China's leaders. Foreign trade and the exchange of peoples between China and the United States has been one of great imbalance, with our side inviting far more researchers to the United States than China permits researchers in our country to travel there. This imbalance cannot be corrected by concessions such as economic and/or military assistance.

Finally, there is the very delicate matter of Taiwan in the Sino-American relation. The Republic of China on Taiwan is an independent and sovereign state which still has diplomatic relations with many countries and informal relations with scores of others. The Republic of China claims to represent the China mainland, just as the People's Republic of China claims to represent Taiwan. Therefore, two independent Chinese states exist just like the two Germany's and just like the two Korea's.

Fully realizing that, the United States should build its relations with China independent of our relations with Taiwan, which are now

governed by the United States-Taiwan Relations Act. That can be done and it should be done for the best interests of the United States. But granting economic concessions to Beijing in order to elicit their agreement that we can have certain relations with Taiwan is not reciprocity. It is not the way in which Sino-American relations in the future should be developed.

In the final analysis, the real issue in Sino-American relations is reciprocity. If we extend Communist China any kind of economic assistance, what is the United States really getting in return? Before friendly ties can ever be achieved between these two countries which have very different ideologies and systems of government, reciprocity and some degree of trust simply have to be established. This has not really yet taken place. Congress should make certain that it does.

Thank you, Mr. Chairman.

[Mr. Myers' prepared statement follows:]

PREPARED STATEMENT OF RAMON H. MYERS

In order to give economic aid to Communist China, three conditions must be satisfied as stated in section 620(f) of the Agricultural Trade Development and Assistance Act of 1954. These three conditions are: (1) Such assistance (for China) is vital to the security of the United States; (2) (that China) is not controlled by the international Communist conspiracy; and (3) such assistance (to China) will further promote the independence of the recipient country from international Communism.

I do not think at this time that these three terms have been met to justify granting economic aid to Communist China. For the best interests of the United States, I strongly recommend that Congress defer for several more years before making any decision to remove Communist China from the list of Communist countries which should not receive economic aid from the United States. My reasons are the following.

IS CHINA VITAL TO U.S. SECURITY?

There is insufficient evidence that China is now vital to the security of the United States. Since the 1970's when U.S.-Sino relations gradually improved and after January 1, 1979 when normalization between the two states occurred, China has not been able to deter the military build-up within the Soviet Union in northeast Asia or Soviet political and military expansion in Asia. In fact, China might even have provoked that Soviet military build-up and expansion.

The Soviet Union is now more deeply involved in the conflicts raging within Afghanistan and Indo-China. Soviet nuclear and troop expansion in northeast Asia far exceeds that of the mid-1970's. One very important reason for these two trends was the Soviet perception that Sino-U.S. normalization and the U.S. refusal to endorse SALT II posed a new threat to the U.S.S.R. and might tip the balance of power unfavorably for the U.S.S.R. in northeast Asia. If improved Sino-American relations provoked this Soviet reaction, how can China really be vital to American security?

China's economy at this time is very weak and it is technologically backward. China possesses no modern military force that can serve as a counterweight to the Soviet Union. Although it is true that China has publicly denounced the Soviet military intervention in Afghanistan and Soviet military and economic aid to Vietnam, China has publicly refused to denounce Soviet intervention in Poland. Even the Italian Communist Party strongly criticized the Soviet Union's meddling in Polish affairs.

China's current assistance to the Pol Pot regime in Cambodia or Kampuchea also raise real doubts of how vital China is for U.S. security. China's continued involvement in the Kampuchea conflict threatens to extend that conflict to involve Thailand and other ASEAN states. China's policy to oppose Vietnam threatens to destabilize the balance of power in South East Asia. It is not clear at all how China's southeast Asia policy is really vital to America's security. China's policy should be interpreted as definitely furthering China's aim of destabilizing Vietnam and restoring a client state relationship with Beijing.

Some might argue that China restrains the North Korean regime from taking any aggressive action toward South Korea. There is no evidence for this assertion. North Korea has cleverly tilted back and forth between Moscow and Beijing whenever it has suited her national interests. Driven by powerful nationalistic impulses, North Korea will not be restrained by either Communist state if she chooses to go to war on the Korean peninsula.

Is China privately supplying valuable military information from its surveillance outposts in the remote northwest to justify that China has become vital to the security of the United States? Because the United States assisted China in building those tracking stations and supplied some of the advanced equipment for them, it is appropriate that the United States should share in the intelligence information gathered. This bilateral arrangement should not be the sole reason for arguing that China has become vital to U.S. security. Until there is more empirical evidence and a powerful strategic argument that China is vital to U.S. security, we should be very cautious in our relations with that country.

IS CHINA PART OF AN INTERNATIONAL COMMUNIST CONSPIRACY?

The Sino-Soviet split in the early 1960's divided Communist parties all over the world. Instead of a monolithic, international Communist movement committed to extend Communist influence in the world there are now two: one Soviet and the other Maoist. After Mao's death in late 1976, Beijing's foreign policy and her relations with pro-Beijing parties around the world gradually changed.

Instead of advocating the Maoist revolutionary line, Beijing adopted a united front policy with Western states and developing countries to oppose Soviet hegemonism. Serious domestic problems had directed Beijing's leaders to affairs at home. But, in Asia, Beijing continued to give spiritual and material support to the illegal pro-Beijing Communist parties in Southeast Asia. This kind of support continued until early 1981 when Premier Zhao Ziyang travelled to Southeast Asia and tried to reassure those countries' leaders that China would not provide material aid but only spiritual support. Zhao endorsed ASEAN's plan to establish a "zone of peace, freedom, and neutrality,"¹ and he tried to elicit its support for China's assistance to the Pol Pot guerrillas fighting Vietnam in Kampuchea.

If China really does intend to cut ties with other illegal Communist parties, it may not be part of any international Communist conspiracy and perhaps has become a friendly and non-aligned power in Asia. But the activities of these illegal Communist parties indicate otherwise.

Indonesia has a pro-Chinese Communist party led by Jusuf Adjitorop who now resides in Beijing. On May 23, 1980, Adjitorop issued a statement over the Voice of the Malayan Revolution transmitted from a radio in Hengyang, below Changsha in southern China.² Adjitorop declared that "people in all walks of life have become more aware of the consequences of Suharto's fascist rule" and that the Suharto regime represented all "loyal servants of the imperialists."³ While echoing the Beijing foreign policy line of denouncing Vietnam, Adjitorop then stopped short of urging insurrection, but he concluded his report by saying that Indonesian Communists must improve "their organization and political awareness."⁴ Meanwhile Indonesia's foreign minister stated in late 1980 that China "needs a long time" to drop its aid to the Southeast Asian Communist underground before relations between Indonesia and China could be normalized.

In Malaysia there are four Communist parties, and one of them is the Communist Party of Malaya (CPM). Until 1981 that party received its moral support from the same radio transmitter in Hengyang, The Voice of Malayan Democracy (VOMD). The VOMD began broadcasting in mid 1981 after a brief period of issuing no broadcasts when its announcers had declared transmission would cease. The VOMD is supposed to have moved to southern Thailand. When Premier Zhao visited Malaysia on August 9th, 1981, he sidestepped discussion of Chinese support for the CPM.⁵ Malaysian officials are still suspicious of the Chinese and believe that Beijing is still supporting VOMD in its new location.

The Burmese Communist Party (BCP) headquarters are at Pang Hseng, a Burmese town on the Chinese-Burmese border.⁶ The BCP's aging leader, over 70,

¹ Richard F. Staar (editor) "1981 Yearbook on International Communist Affairs" (Stanford: Hoover Institution Press, 1981) p. 212.

² Richard F. Staar (editor) "1980 Yearbook on International Communist Affairs" (Hoover Institution Press, 1981) p. 253.

³ Ibid., p. 253.

⁴ Ibid., p. 253.

⁵ "1981 Yearbook on International Communist Affairs," p. 212.

⁶ "1980 Yearbook on International Communist Affairs," p. 228.

Thakin Ba Thein Tin is reported to be living in Beijing. The BCP followed the CCP line until 1981 when it began peace talks with the Burmese Government. These talks have proved to be unsuccessful so far, but these negotiations might signal a break by the BCP with the Maoist revolutionary line adopted in 1964. Meanwhile, Burmese Government officials assert that the Chinese continue to supply both weapons and money to the BCP.⁷ They also claim that regardless of reduction in Chinese material aid, if indeed that has occurred, the rhetoric of the BCP and Beijing's Communist Party is very, very similar and continues. For example, in 1981 the BCP announced that "the BCP-CCP (Chinese Communist Party) have always supported each other and established a revolutionary friendship which is friendly and close."⁸

In the Philippines the pro-Beijing party has followed China's foreign policy line until the present.⁹ That party is also still active in guerrilla activities and propaganda campaigns against the Marcos government. Manila and Beijing relations began to improve when a new trade agreement on July 11, 1981, was signed, but Chinese residents are reportedly giving local aid to Communist guerrillas.¹⁰

The Communist Party of Thailand (CPT) has conformed to the Chinese Communist party line of criticizing Vietnam regarding the invasion of Kampuchea.¹¹ The CPT lost its guerrilla bases in Laos and Kampuchea after it began criticizing Vietnam and had to relocate to less secure areas in Thailand. In early 1980 the CPT armed forces amounted to between 10,000 and 12,000 men supported by militia forces between 10,000 and 15,000 which used Maoist guerrilla tactics. CPT leaders are both Thai and Chinese. In 1979 CPT guerrilla forces operated in 46 of 72 provinces in Thailand. In 1981 China began urging the CPT to negotiate with the Thai Government and has reduced its support for the CPT to obtain Thai Government cooperation in allowing Chinese weapons and supplies to reach Pol Pot's guerrillas, fighting Vietnamese troops in parts of Kampuchea.¹²

Until 1981, it was clear that Beijing continued to support the illegal, pro-Beijing Communist Parties in Southeast Asia. These parties were committed to the overthrow of the existing governments of the ASEAN states. In 1981 Beijing changed its foreign policy line and clearly downgraded its material support to those illegal parties. The primary reason for this policy line switch was to obtain ASEAN support for China's assistance for Pol Pot. The leaders of ASEAN are not at all convinced as yet that Beijing will seriously withhold material support for those illegal Communist Parties as she might change her policy line at any time. For these reasons, I believe that we must wait several more years to determine that Beijing has really abandoned its support for the illegal Communist Parties of Southeast Asia which are still committed to undermining the authority of the governments of the ASEAN states.

WILL ECONOMIC ASSISTANCE FURTHER PROMOTE THE INDEPENDENCE OF CHINA FROM COMMUNISM?

I do not believe that granting economic aid will detach China from the international communist movement. China's leaders are still committed Communists who believe and aspire for communism to become a worldwide force and form of governance. Undoubtedly, China's leaders have not renounced Marxism-Leninism-Maoist. They are still committed to building a Socialist-Communist state and society in China, and governing by the dictatorship of the proletariat. They have no intentions of liberalizing their political system and making it more democratic.

China and the Soviet Union have become polarized by ideology and great power interests. In the 1960's and early 1970's ideological differences mainly accounted for tensions between the two states. In the late 1970's and 1980's great power interests came to supercede ideology. China and the Soviet Union quarrel about national boundary lines. China opposes Vietnam's attempt to rule Laos and Kampuchea, and Soviet aid to Vietnam naturally worries and angers China.

As China's leaders still remain committed to communism at home, they will very likely continue to support pro-Chinese Communist parties abroad. Those parties, as in Southeast Asia, will be used by Beijing for advancing China's foreign policy objectives.

⁷ "1981 Yearbook on International Communist Affairs," p. 173.

⁸ *Ibid.*, p. 173.

⁹ "1980 Yearbook on International Communist Affairs," pp. 281-294.

¹⁰ "1981 Yearbook on International Communist Affairs," pp. 221-226.

¹¹ "1980 Yearbook on International Communist Affairs," pp. 299-304.

¹² "1981 Yearbook on International Communist Affairs," p. 230.

Given the complexities of China's rivalry with the U.S.S.R. and Vietnam, the United States should be extremely cautious to provide any aid to China. Such actions are bound to be perceived by China's rivals as threatening to their interests. They will react in ways that might seriously affect neighboring countries like Japan or the ASEAN states. And those actions might even lead to altering the balance of power in parts of Asia that would adversely affect American interests in the region. The only corrective then would be an arms race, which would escalate tensions further.

CONCLUSION

I strongly advise that Congress wait for several more years until more evidence has been accumulated that China meet the standards set forth in legislative code 620(F). Surely, the United States has nothing to lose by waiting. If China is going to become vital for U.S. security, this fact can be demonstrated in terms of real reciprocity and growing mutual trust and confidence on both sides. So far, we have seen very little reciprocity and mutual trust and confidence has yet to be built.

There are some who will respond by pointing out that China might tilt toward the Soviet Union if she does not receive aid from the United States. In recent months there have been signs that China might indeed normalize relations to some extent with the Soviet Union. Delegates from the French Communist Party appeared in Beijing last month to discuss a future visit to China by party leader George Marchais. The French Communist Party would not send anyone to Beijing unless Moscow had agreed. More recently the President Nicolae Ceausescu of Romania visited Beijing in mid April 1982. Moscow's leaders have also urged Beijing's leaders to renew discussions without any pre-arranged agenda. Several Chinese economic planners have recently visited Moscow to confer with Gosplan leaders.

Beijing has also loudly expressed its outrage over U.S. intention to sell spare parts and defensive weapons to Taiwan for the F5 jet fighter, and she has even demanded the United States cease these weapon sales. Whether Beijing would downgrade diplomatic relations with the United States or tilt toward Moscow is uncertain.

China certainly can compromise and normalize relations with the Soviet Union if she wants. But U.S. policy makers need not live in a state of perpetual fear that this move will signal the same kind of Sino-Soviet alliance of the 1950's. Nor should U.S. policy makers be so constrained by this fear that our relations with Beijing must always be founded upon compromise and giving more than we ever receive. Keeping in mind that China's domestic political and economic conditions are very unstable and very poor, we would realize that China desperately needs the West, especially American technology and trade. When the Soviet Union perceives that Sino-American relations are starting to resemble an alliance, she will respond in expansionary ways and press forward to expand her military forces even faster. We ought to have a policy toward Asia which is not perceived as provocative by any of our enemies.

We must, therefore, develop good relations in a gradual fashion with China, and such relations must be based upon reciprocity in which the United States makes certain compromises and the Chinese respond by making certain compromises. Far more Chinese researchers and students visit this country and make use of our higher educational institutions than American researchers and students visit China. So far, China has made very few compromises and in fact has changed the rules of the game by which normalization with the United States in early 1979 took place. When America's leaders informed China in early 1979 that we would continue to sell defensive weapons to Taiwan, the Chinese agreed to normalization on those conditions, even though they did not like it. Now they are claiming that any such sale is meddling in the internal affairs of their country. This charge is nonsense. The Republic of China on Taiwan is an independent and sovereign state which still has diplomatic relations with many countries and informal arrangements with scores of others. The ROC claims to represent the China mainland just as the PRC Government claims to represent Taiwan. Two independent Chinese states exist just like two Germany's and two Korea's. It is important for Congress and the Administration to realize that fact and use it to the best interests of the United States.

The United States-Taiwan Relations Act provided the United States with the possibility of having a de facto, two China state relationship. The United States

should take advantage of that and put it to good use. If Beijing and Washington cannot gradually build friendly relationships, the United States must have another policy toward Asia which can protect its vital interests and those of its friends. Such a policy could be based upon expanded bi-lateral and multi-lateral relations between the United States and the Pacific Basin states of Japan, South Korea, Taiwan, the ASEAN states, Australia, and New Zealand.

Rather than perpetually worry about providing sufficient concessions to Beijing to placate its leaders, U.S. policy makers should realize that an economic and security alliance can be built with the Pacific Basin states at any time. This alternative policy can reduce our dependency upon the Beijing connection, and we could always use that policy to demand that Beijing-Washington relations be built upon reciprocity.

GRANTING AGRICULTURAL AID TO CHINA

Suppose that Congress decides on the basis that China is a friendly and non-aligned country that she ought to be granted privileged status to receive economic aid. Should such aid like Public Law 480, etc., be given to China?

In recent years more and more studies have convincingly demonstrated that the transfer of economic aid to developing countries merely strengthens the role of the state, distorts the operation of the market, and produces many bad effects for suppliers. Expanding free trade, not aid, is recommended as the best course for promoting the rapid, healthy development of the developing countries. The case of China is no exception.

But let us look more closely at Chinese agriculture and ask the question, whether even a modest infusion of technical and material aid which our taxpayers must bear will really help Chinese agriculture?

China's socialist economy is in a terrible mess. In the last 30 years China has experienced a demographic revolution without an economic revolution. Her population roughly doubled to now exceed one billion people but per capita income is still less than \$US400 per year. China's agriculture and industry have experienced no productivity to account for what output growth has taken place from these two sectors. To make matters worse, the Communist party and state have so mismanaged the economy that China has wasted 30 years when she could instead have built a modern, efficient, rapidly growing economy capable of providing her pledge with rising material living standards. Socialist organizations and planned economy, compounded with policies that zigged and zagged every few years, have so botched economic development and so perversely influenced economic behavior as to make the past 30 years an appalling tragedy.

In the past three years China's leaders have desperately tried to correct this situation, but inflation has only worsened and unemployment is on the rise. Even though campaigns are now mounted to trim the huge party and state bureaucracy, the economy shows little signs of developing the vitality, incentive, and innovative ability to deal with the severe problems that currently exist.

In agriculture where all households have been organized under production teams of some 40 to 100 households per team subject to state and party controls, the party recently has tried to remove commune and brigade interference with team activities and give the teams more power and independence to organize their household resources. These reforms are not aimed at reviving family farming and they have been resisted by entrenched party left-wingers. China's agriculture needs major overhaul before decision making will be improved so that resource productivity can be greatly elevated.

The policies the Communist Party are not introducing to correct for the serious dysfunctions of China's economy might work or they might be reversed at any time by a different political faction in the party. More important, these new reforms need time to be institutionalized before favorable results can be produced.

Therefore, I would recommend that no U.S. technical and agricultural aid be given to Communist China until there is definite proof that the Chinese are undertaking reforms that are actually working and will become institutionalized. In the final analysis, the real issue comes down to reciprocity in Sino-American relations. If we extend Communist China any kind of economic assistance, what is the United States really getting in return? Before friendly ties can ever be achieved between these two countries which have very different ideologies and systems of governance, reciprocity and some degree of trust must be established. That has not yet taken place. Congress must make certain that it does.

Senator HAYAKAWA. Thank you, Dr. Myers.

Dr. Sullivan.

[Mr. John Sullivan's biographical sketch follows:]

BIOGRAPHICAL SKETCH OF JOHN H. SULLIVAN

John H. Sullivan is vice president for International Activities of Development Associates, Inc., a management and governmental consulting firm with headquarters in Arlington, Va. From 1977 to 1981 he served as Assistant Administrator, Asia, of the Agency for International Development.

Before joining AID, Dr. Sullivan spent nearly 15 years as a Congressional staff member. His last Hill post was as senior staff consultant for the House Foreign Affairs Committee, in charge of economic assistance legislation.

A resident of Alexandria, Va., he received his doctorate from the American University School of International Service in 1969, specializing in Asian and Pacific affairs. He also holds bachelor's and master's degrees in journalism from Marquette University, Milwaukee, and was a newspaper reporter before coming to Washington.

Dr. Sullivan's book-length study of the War Powers Resolution of 1973 is to be published next month by the House Foreign Affairs Committee.

STATEMENT OF JOHN H. SULLIVAN, VICE PRESIDENT, DEVELOPMENT ASSOCIATES, INC., ARLINGTON, VA.

Mr. JOHN SULLIVAN. Thank you very much, Mr. Chairman. I am pleased to have this opportunity to appear before the Senate Foreign Relations Committee to discuss with you an issue that commanded a good deal of my attention during my last year as head of the Asia Bureau of AID, and it has continued to be a concern to me as a private citizen.

The United States is the last Western industrialized state to recognize the People's Republic of China. As such, we still lag behind our allies in the development of economic relations with China. While the basic framework of normal commercial and financial relations has been put into place, I believe we still lack an appropriate policy with respect to the discretionary measures available to help structure our long-term relations with the People's Republic.

Our ability to act in our own interests to assist both U.S. business and China's modernization, as our rhetoric sometimes has suggested, has been hampered by precedent, by principles, by lack of funds, and by legislative prohibitions.

Now the administration has asked the Congress to remove those prohibitions, particularly section 620(f) of the Foreign Assistance Act. The administration has not said that it definitely intends a program of economic assistance to China, but has suggested that if the prohibitions are removed, it might provide at no extra appropriation request a modest program of technical and scientific exchange with China.

Mr. Chairman, I strongly endorse the idea of such a program, while suggesting a possible alternative means of congressional action. My own concern with the problem dates back to 1979, and first took the shape of attempting to look at China as a potential source of ideas to be used in other Third World countries.

At that time, we sought the expert help of the Committee of Scholarly Communications with China, which is part of the National Academy of Sciences. The National Academy put on a series

of workshops to explore the subject of what we could learn about development from China and apply elsewhere in the Third World.

The results of that study were published in January of 1981 and should be available to this committee.

The findings were several, and I will briefly discuss them: One, that the scope for transferability was limited; two, that in other cases of technological innovations in China their implementation was so closely tied to the Chinese political system that it was not something we would want to do in the Third World.

Notwithstanding those general results, agreement was reached among these experts on a series of areas in which Chinese programs, institutions, and innovations deserve further study. Because the administration is talking about an exchange of technical and scientific information with the Chinese, I believe those findings have significance.

While we were interested in what China could teach us about development in other countries in the Third World, we were also concerned that many protocols had already been signed by the United States with China in a broad range of areas. The last time I counted, I think there were 17 protocols, and I think there have been some signed since then.

Those protocols called for a series of scientific/technical exchanges. A number of them were not being carried out because of a lack of funds and the prohibitions of law we have spoken about.

President Carter had adopted a principle with respect to exchanges that the "benefiting side pays." The Chinese on their behalf preferred to pay the way of Americans in China and have the Americans pay for Chinese nationals that came to this country. This clash of perspectives resulted in paralysis in carrying out many of the protocols.

I am particularly reminded of a protocol signed, I believe it was, in 1979—it may have been in 1980—on behalf of the United States and China dealing with hydroelectric installations. When the Chinese sought some training for the engineers under the rules of the protocol, the principle of "benefiting side pays" seemed to require that the Chinese pick up the expenses of their engineers who were to visit the United States. The Chinese were unwilling to do that, and a stalemate resulted.

This concept of benefiting side came increasingly into question. The United States was interested in educating Chinese engineers in our technology of hydroelectric turbines, in hopes that China eventually would purchase them. Were we or the Chinese the benefiting side?

Because advantages to the United States from that kind of education eventually was seen, modest funds were made available from the Trade and Development program of the Agency of International Development to facilitate the visits of Chinese experts.

It is my belief that this solution has not been satisfactory, since it represents rather small amounts of money and the mechanisms for making it available require sometimes tedious and embarrassing discussions with the Chinese.

As a result of that experience and a task force study in the latter days of the Carter administration, I came to several conclusions: first,

that China can use our help. It is still underdeveloped and can well use technical assistance in certain areas, particularly in agriculture. Second, with all the caveats expressed earlier, we may well learn things about development from China as we help it. And third, limited assistance can help the state of United States-Chinese relations generally.

That is why I support the administration's general policy as expressed in a memorandum which has been shown to me, entitled "Assistance to China." I think it has been shared with the committee. I believe that it expresses at least the tentative policy of the administration.

The emphasis would be on technology transfer, with a focus on agriculture and food production. It is a modest program and, I believe, highly appropriate.

At the same time, I fully understand the concern of some in Congress about removing China from the prohibitions of section 620(f) and other such prohibitions found in the Foreign Assistance Act, as amended, and the Food for Peace legislation. Absent all restraints, the executive branch could provide for a broad range of assistance, including security assistance.

A large program also might well be a mistake. No amount of assistance we might give China will make much difference to its ultimate destiny. And the resources we already have for Asia are quite scarce. If it meant providing less to Bangladesh or India or to Indonesia, with whom we have had long and successful development relationships, it certainly would not be worth the cost.

Second, we must be aware of over-optimistic assumptions about what the Chinese will do in terms of adopting our technologies. It seems to me that we must not let our enthusiasms about China blind us to certain realities. Instead, we should tailor our program to avoid some traditional xenophobic reactions.

I would suggest, for example, that we should invite the Chinese to come to this country rather than for our advisers to go there. We should invite them to make presentations to us about their accomplishments rather than simply treating them as drinkers at our fonts of wisdom.

And finally, I think, we should structure our programs to the extent possible not to seem tied exclusively to the present regime in China, lest China's return to a Maoist type conservatism, render our teaching, and those Chinese we have taught, as enemies of the people.

Should the Senate determine that a modest program of technical assistance is appropriate but that a repeal of all prohibitions is not, there are other legislative remedies that might be attempted.

A freestanding provision of law might be adopted in the fiscal year 1983 foreign assistance authorization that would, first, describe a program of technical exchange similar to that which has been suggested by the administration; second, provide for funding out of already announced and authorized amounts up to a certain ceiling, say, \$20 million; and third, exempt the program from the prohibitions of section 620(f) and other provisions of law that might restrain its operation. Such a provision would not, I might add, exclude China from section 620(f).

This solution would fulfill objectives apparently intended by the administration but would continue congressional control on the scope and extent of U.S. assistance to China.

Thank you, Mr. Chairman. I would be happy to answer any questions the committee might have.

[Mr. John Sullivan's prepared statement follows:]

PREPARED STATEMENT OF DR. JOHN H. SULLIVAN

Mr. Chairman, I am pleased to have this opportunity to appear before the Senate Foreign Relations Committee to discuss with you an issue that commanded a great deal of my attention during my last year as head of the Asia Bureau of the Agency for International Development, and that has continued to be of concern to me as a private citizen.

The United States is the last Western, industrialized state to recognize the People's Republic of China.

As such, we still lag behind our allies in the development of economic relations with China. While the basic framework of normal commercial and financial relations have been put in place, we still lack an appropriate policy with respect to the discretionary measures available to help structure our long-term relationships with the People's Republic.

Our ability to act in our own interests to assist both U.S. business and China's modernization, as our rhetoric sometimes has suggested, has been hampered by precedent, principles, lack of funds, and legislative prohibitions.

Now the Administration has asked the Congress to remove the legislative prohibitions, particularly Section 620(f) of the Foreign Assistance Act. The Administration has not said that it definitely intends a program of economic assistance to China, but has suggested that if the prohibitions are removed, it might provide—at no extra appropriation request—a modest program of technical and scientific exchange with China.

Mr. Chairman, I strongly endorse the idea of such a program—while suggesting a possible alternate means of Congressional action.

My own concern with this problem dates back to 1979. Then it took two forms.

First, I was interested in exploring the idea that there were technologies and techniques that had been developed in China during its period of estrangement from the West that would be of use, and transferable, to other developing countries of Asia—and indeed the world.

In 1975, as senior staff consultant to the House Foreign Affairs Committee, I had been part of a congressional staff group that visited China. Much of what I saw there was impressive, but left me with a concern that Chinese technologies and methods were too much a part of a highly organized, totalitarian system of government to be of significant value to the United States in its development efforts in third world countries.

Increasingly, however, voices were heard claiming that the United States could learn a lot from China about development-related technologies, such as mini-hydroelectric plants, methane gas from waste materials, and barefoot doctors.

Seeking expert help, the Asia Bureau contracted with the Committee of Scholarly Communications with the People's Republic of China of the National Academy of Sciences series of workshops with specialists to explore the subject.

The results, published in January 1981, were that:

(1) The scope for transferability appeared limited: Many Chinese programs were uneconomic or less successful than they had been made to appear.

(2) In other instances, the successful implementation of a Chinese program or institution or innovation could be attributed to the Chinese political, social or cultural milieu—and of doubtful transferability.

(3) Notwithstanding those results, general agreement was reached among specialists on a series of areas in which Chinese programs, institutions and innovations deserved further study. Those ranged from pest control to biogas digesters.

Because the Administration is talking about an exchange of technical and scientific information with the Chinese, these findings have significance. The report of the National Academy of Sciences should be available through AID to this committee and I urge your attention to it.

At the same time, we in the Asia Bureau were aware that a great many protocols already had been signed with China in a broad range of areas. The

exchanges called for, or implied by, those protocols were not being carried out because of a lack of funds, and the prohibitions of law we have spoken about.

President Carter had adopted the principle with respect to exchanges that the "benefiting side pays." The Chinese, on their behalf, preferred to pay the way of Americans in China and have the United States pay for Chinese nationals when they visited here.

This clash of perspective resulted in paralysis in carrying out many of the protocols. Despite that problem, delegations of Americans going to Beijing seemed determined to sign more protocols, heedless that the funds required to make them work either did not exist or were prohibited by law.

I particularly recall a 1979 energy protocol signed by the Chinese and a delegation of Americans headed by a TVA official. When the Chinese sought training for some engineers under protocol terms, the rule of "benefiting side pays" seemed to require the Chinese to pick up expenses—which they were unwilling to do. Stalemate resulted.

The concept of "benefiting side" came increasingly into question. If the United States was interested in educating Chinese engineers in our technology of hydroelectric turbines—in hopes that China eventually would purchase them—were we, or the Chinese, the benefiting side?

Because advantages to the United States from that kind of education was seen, modest funds eventually were made available from AID's Trade and Development Program to facilitate the visits of Chinese experts.

None of this really was satisfactory, however, since it was such small amounts and the mechanisms for making it available required tedious and embarrassing discussions with the Chinese.

As recognition grew of the unsatisfactory state of affairs, it was possible to launch an inter-agency task force to look into the larger questions of U.S.-Chinese relationships, including a framework for considering U.S. interests in China's economic development and to clarify the choices open to the United States by developing possible options.

The task force work was just coming to a completion during the waning days of the Carter Administration, and I am not certain that a report ever was circulated. (I resigned on December 31, 1980).

From that experience, however my conclusions have been three:

First, China can use our help. It is still underdeveloped and well can use technical assistance in certain areas—particularly agriculture.

Second, with all the caveats expressed earlier, we may well learn things about development from China as we help it.

Third, limited assistance can help the state of our relations generally.

That is why I support the Administration's general policy—as expressed in a memorandum I have seen, entitled "Assistance to China." The emphasis on technology transfer, the focus on agriculture and food production, and the modest nature of the program envisaged in that memorandum are highly appropriate.

At the same time I understand fully the concern of some in Congress about removing China from the prohibitions of Section 620(f) and other prohibitions found in the Foreign Assistance Act, as amended, and the Food for Peace legislation. Absent all restraints, the Executive Branch could provide for a broad range of assistance, including military aid.

A large program could well prove to be a mistake. No amount of assistance we might give China will make much difference to its ultimate destiny. Yet, given the scarce resources we have for economic assistance, it might mean providing less to other Asian countries like Bangladesh or India or Indonesia, with who we have long and successful development relationships.

Second, we must beware of over-optimistic assumptions that the Chinese will adopt our ways.

Mr. Chairman, I am reminded that it was in the Senate some 40 years ago that the late Senator Wherry said to his assembled colleagues: "We will raise Shanghai up, up, ever up, until it is just like Kansas City."

Such expectations were naive, as we know, but recent polls by William Watts of Potomac Associates (and published in his book "The United States and Asia: Changing Attitudes and Policies") indicate there is a present euphoria about China among the American public.

We must not let American enthusiasm blind us to Chinese realities. Instead, we should tailor our programs to avoid triggering traditional xenophobic reactions to Western influences.

Among other things, we should invite the Chinese to come to the United States to study our technologies, rather than send long-term technical advisers into China.

We should invite the Chinese to make presentations to us about their accomplishments, rather than treating them simply as drinkers at our fonts of wisdom.

Finally, we should structure our programs—to the extent possible—so as not to seem tied exclusively to the present regime, lest a return to Maoist conservatism render our teaching, and those Chinese we have taught, as enemies of the people.

Should the Senate determine that a modest program of technical assistance is appropriate, but a repeal of all prohibitions is not, there are other legislative remedies that might be attempted. A free-standing provision of law might be adopted in the fiscal year 1983 foreign assistance authorization that would:

- (1) Describe a program of technical exchange similar to that suggested by the Administration;
- (2) Provide for funding out of already authorized amounts up to a certain ceiling—say, up to \$20 million; and
- (3) Exempt the program from the prohibitions of Section 620(f) and such other provisions of law that might restrain its operation.

This solution would fulfill the objective apparently intended by the Administration, but provide continued congressional control on the scope and extent of U.S. assistance to China.

Thank you, Mr. Chairman. I will be happy to answer any questions that the Committee might have.

Senator HAYAKAWA. Thank you, Dr. Sullivan.

Well, we have some conflicting views to resolve here. Let me ask some questions and invite all of you to volunteer answers as they occur to you.

First, to what extent is economic assistance necessary to develop further U.S. economic relations with China? Is a strong trade and commercial relationship with China possible without making the proposed changes in the legislation?

Mr. ROGER SULLIVAN. Let me answer that first, if I may, Mr. Chairman. As I said in my testimony, I think except for the element of atmospherics and symbolism, that economic assistance to China is not necessary to develop our economic relationships at this stage. The effect on trade, it seems to me, the effect on our economic relationships would come not from a positive decision on the part of the Congress to extend economic assistance to China, which is not what I am recommending, but rather from the negative effect of a decision by the Congress, in the face of administration promises and in the face of 10 years of progress toward removing these obstacles, that for reasons I am sure the Chinese would find difficult to understand, the Congress chose not to remove these 1950's symbols but rather continue to decide to treat China as though it were a member of the Warsaw Pact.

Down the road, though, I think there may indeed be some areas, particularly in the development of China's massive hydropower industry. We already find ourselves—that is, American companies find themselves—on the losing end of competition with other countries in the early stages of Chinese development because the United States has no way of providing for the feasibility studies and other concessional help through an aid program that the Canadians, the Japanese, and the Italians can give.

Down the road, as the Chinese begin to move in a dramatic way to develop their hydropower potential, we may, just in order to protect our competitiveness and to increase the chances that American equipment will be purchased by the Chinese, want to have the flexibility to

provide for some limited assistance in the area feasibility studies, and so forth.

Thank you.

Senator HAYAKAWA. Would either of the other gentlemen wish to comment on this? Dr. Sullivan?

Mr. JOHN SULLIVAN. Mr. Chairman, I would simply add that in terms of trade and economic relations with another country, we are building for the long term. It seems to me one way in which that is done is to be, in part, responsible for the training and the technical assistance given in specific and targeted areas that we believe will be good for China's modernization while at the same time providing economic and trade opportunities for the United States down the line.

Senator HAYAKAWA. That is the sort of economic assistance and economic relations that will involve the training of the Chinese themselves in certain kinds of trade and economic behavior which will help both nations in the long run?

Mr. JOHN SULLIVAN. Yes, Mr. Chairman.

Senator HAYAKAWA. I see.

Dr. Myers, did you wish to add a comment?

Mr. MYERS. I guess my reaction to your question is this: In the last 3 or 4 years we have seen a big increase in the rate of growth of trade between the two countries. My sense is, though, that this is likely, if not already, going to decelerate.

In other words, we have sort of gotten the first fruits of the opening up of both markets and a lot of hard work has to be done down the line to cultivate and extract more fruits so that that rate of growth will either increase or at least we can sustain the amount of trade under-way.

The amount of trade that is going to take place between the two countries is going to be greatly constrained by how the Chinese economy works, and particularly how agriculture works.

As I tried to outline in my comments, I think there has to be an enormous amount of reform and improved organization in China's agriculture. Some of that is going on. But it has to be institutionalized in ways that are going to really raise the productivity of labor. And the Chinese themselves are aware of this.

But the question is: If we are going to get into the act of providing technical aid or other kinds of support so that their people can come here, one has to be very careful of how this is perceived by the Soviet Union and how our foreign policy in Asia is going to be conducted on that basis.

It seems to me that we are dealing with a very delicate relationship in the Sino-Soviet balance there. And I am very concerned that if the Soviets misperceive this and react in the ways they have reacted, particularly in the last 3 years, we are going to be in a real arms race and we are going to have real difficulties in the region. So the way to go, I think, is to move with great prudence and a very, very slow, step-by-step policy.

Senator HAYAKAWA. There was agreement among the participants in a recent United States-China economic seminar, which I chaired, that we approached this whole matter after "normalization," with over optimistic assumptions about the Chinese economy and what great op-

portunities there were going to be for American businessmen but the cancellation of many contracts and the slowing down of business and so on brought some sense of reality into future projections.

But, nevertheless, there are opportunities for American businessmen if they are realistic, are there not? But not on the grand scale that was dreamed of at the beginning.

Mr. ROGER SULLIVAN. Mr. Chairman, I guess it is a question of one man's euphoria being another man's reality. In the early days of the development of the economic relationship with China, I can remember people saying that anyone who predicted a bilateral trade level of over \$2 billion was euphoric in the extreme. I think that the expectations of most businessmen, who tend to be realistic as opposed to, say, the journalists who were the ones projecting the huge trade levels that any businessman recognized were unrealistic, that the expectations of American businessmen have not really been disappointed.

We have seen trade expand. It doubled in 1979 and doubled again in 1980. This year, despite the recession in the United States and readjustment in China, we still had a 14-percent increase. I think that American businessmen today see China building a base for what will be another important stage of growth in economic development in which American companies want to participate.

I think we tend, in the kind of shorthand that we use in discussing these matters, to talk about helping China. And to pose the question as though we were talking about the extent to which we can help China. I would like to suggest that we look at it in this way: China is going to develop; it has prodigious resources in energy, coal, oil, and hydropower. China will develop at 5 or 6 percent a year, I think almost all economists agree it is in that range, regardless of what the United States does.

The issue, though, is: Is the United States going to participate in that development, and to what extent are we going to participate in that development; or are we going to sit here and see the Japanese, Germans, Italians, and French walk away with the business? That is what we are talking about here.

I would hope the Congress, too, if I may comment on Mr. Myers' statement, is not going to make decisions in this matter that are to the detriment of the American business community and to the interests of the United States because it might offend the Soviet Union. I find that incredible.

Senator HAYAKAWA. Well, are Japan, Germany, France, and so forth, giving economic assistance to China?

Mr. ROGER SULLIVAN. Yes, sir, they are.

Senator HAYAKAWA. To induce the Chinese to trade with them?

Mr. ROGER SULLIVAN. Yes, sir. The Japanese give extensive concessionary assistance to China in low-interest loans, yen-tied loans. In the hydropower area the Canadians are financing a feasibility study of an electric powerline that would go from the Red River hydro project down to Guang Zhou. The French put together all sorts of packages involving government money and private money in order to bring loan interest rates down well below market. We are competing against people who play hard ball.

Senator HAYAKAWA. Would you care to comment on this, Dr. Myers?

Mr. MYERS. I want to comment to the reaction that my colleague had

about offending the Soviet Union. I did not say that, and I think he misinterpreted my remarks somewhat unfairly.

My concern is that we do not develop an arms race based upon existing tensions in various parts of Asia, because that would be detrimental to ourselves and our friends. And clearly, in the last 3 to 4 years Soviet expansion in Asia is a real fact.

Senator HAYAKAWA. Yes.

Mr. MYERS. We cannot ignore that fact. It is very serious. It is serious in Vietnam. It is serious in Afghanistan. And the military Pacific Fleet of the Soviet Union increases every day in the Indian Ocean and in the Southeast China seas. And that fact of life has to be dealt with.

And the problem is: Are we going to deal with it in a policy that is Asian continental-oriented, fixed only on China basically, or are we going to deal with it in a policy that is based toward the Pacific Basin states in which the trade and resources of that great community are really mobilized,

I have nothing against the continuation of the free trade between China and the United States, and I think that should be encouraged, and the businessmen on our side should go there and deal with their socialist system in every way that they can and get the best out of it. I think that should be encouraged.

All I am saying is that I do not think that the U.S. Government should get involved in it. And I do not see where U.S. taxpayers' money is going to be put to the best use in that enterprise.

Senator HAYAKAWA. Do you feel that without this proposed legislation suggested by the administration we can continue our business relationships perfectly well?

Mr. MYERS. Of course.

Senator HAYAKAWA. Dr. Sullivan.

Mr. JOHN SULLIVAN. Well, I think the answer is only to be seen by looking at the problems that have occurred in making many of the 17 or more protocols work with China, given the constraints on funds. It has been alluded to, I think, twice that our trade and development program in AID has been used to make available very limited feasibility moneys in certain instances.

That program was never intended basically to be used the way it is being used with respect to China. It suggests that another pot of money, another kind of funding is required in order simply to let us go forward with those agreements we have already made with China. And we are not talking about large amounts of money.

We are not talking about amounts of money that would worry the Soviet Union or would even worry our Asian allies. They have already been concerned that China is now receiving World Bank money, and it has meant less funding for other countries, particularly India. We are talking here about modest amounts.

I do not believe there would be any eyebrows lifted anywhere if we undertook a program of this kind. And I am sure that our allies would see us simply as having gotten smart fairly late in the game in terms of business development.

Senator HAYAKAWA. Thank you, Dr. Sullivan. Your proposal, Dr. Sullivan, in your testimony, that the Senate authorize a modest amount of funding for exchange and technical assistance programs is interest-

ing. Do you find unconvincing the administration's view that discriminatory language singling out China should be deleted from the bill for basically symbolic reasons?

Mr. JOHN SULLIVAN. The problem that I see there is that deleting China would be fine if there would be a wholesale overhaul of section 620(f).

I would like to bring to your attention that on that same list is Yugoslavia, a country that we have given assistance to for many years and whom we do not consider to be a member of the Communist bloc, yet Yugoslavia still remains an aid recipient.

The reason it still remains there is that the political difficulties of removing Yugoslavia from 620(f) were fairly great. It was perhaps the line of least resistance for the Congress to provide for specific programs so that it knew what it was providing for and what it was authorizing, rather than giving the executive branch some kind of blank check.

Now, I do not want to overemphasize that point, because in any program of assistance to China, that would be started, both by law and by practice the Congress would have to be notified and given a chance to turn it down.

But it seems to me that a key issue has been raised here by Roger Sullivan: If Congress turns down the administration's request, that referral to act itself becomes a symbol.

Senator HAYAKAWA. That becomes a symbol itself.

Mr. JOHN SULLIVAN. That is right. The whole question of symbol might be finessed, it seems to me, and we could still obtain an important objective—which is to provide modest help to China—without getting into the symbol question.

Senator HAYAKAWA. Would it then be better if we had these aid programs without paying any attention to symbols, leaving on that list section 620(f) the way we did with Yugoslavia and go ahead with aid programs?

Mr. JOHN SULLIVAN. That is my proposal, Mr. Chairman.

Senator HAYAKAWA. You seem interested in separating economic assistance from security assistance.

Mr. JOHN SULLIVAN. I think that is important, Mr. Chairman.

Senator HAYAKAWA. They are to be distinguished very sharply, are they not, and changing the status under section 620(f) does not entitle them to security assistance, does it?

Mr. JOHN SULLIVAN. I believe, Mr. Chairman, that there probably are other prohibitions, but if there were no other prohibitions in the act and if section 620(f) were removed, you would remove prohibitions against security assistance, I believe. Section 620(f) has to do with any program authorized under the entire Foreign Assistance Act.

Senator HAYAKAWA. Is that your understanding too?

Mr. MYERS. I think so. That is why it is so important to make a wise decision here.

Senator HAYAKAWA. In your prepared testimony, Dr. Sullivan, you say that there are certain Chinese innovations which need further study because they may be transferrable to other developing nations. Could you describe some of these programs that you are talking about?

Mr. JOHN SULLIVAN. Yes, Mr. Chairman. I have a copy of the Na-

tional Academy of Sciences report here. The report describes a number of areas. I can run down the conclusion for you briefly.

After three sessions at the National Academy of Sciences talking to a variety of experts, I think we were chastened that there are not as many areas of inquiry as some of observers may have felt there were. But the following areas seem to be worthwhile for further study. They are agrotechnical extension systems, pest control systems, systems for multiple cropping and intercropping, animal husbandry, grain storage systems, rural small-scale industry, organization of water management, community-based delivery systems for health care, incentive-disincentive systems for promoting family planning, vaccination programs, certain biomedical innovations, biogas digester programs, particularly one in Sichuan, which seemed to hold some promise, and, finally, rural small-scale hydroelectric power delivery systems.

In all of those areas the experts found reason to suggest that if we were going to go further with our development inquiry, looking at China, those should be the areas we should look at.

Senator HAYAKAWA. And they would be transferrable to other nations. There wouldn't be any harm in that either, would there?

Mr. JOHN SULLIVAN. No; it was the presumption at first blush that further inquiry would be useful. All of these areas would have required further exploration to make sure that there was really something important there.

Senator HAYAKAWA. Dr. Myers, did you have a comment?

Mr. MYERS. Yes, I would like to respond to Dr. Sullivan's comment. I know some of the studies that he is referring to and in fact participated in one concerning agriculture.

My distinct impression is that in the 1970's our China scholars and various scientific teams returned from China with much information about rural organizations and institutions, the technology that the Chinese had developed. We were very impressed and astonished in many respects.

In other words, they came back with a list of distinctive things about China's economic and agrarian system. The transferability of that, thought, to another system with different culture, ethos, et cetera, is a different matter. I have studied Chinese agriculture for most of my academic career. I believe that transfer would not work because of the way in which the cooperative character of Chinese agriculture makes those distinctive elements actually work.

The multiple cropping in particular is something that was well developed before socialism but in fact has been more developed in the last 20 years. But somehow, China's agriculture is still not productive enough and the Chinese agricultural economists themselves have admitted that there are a lot of things wrong with their system. There are imbalances here and there and other problems.

So to make the argument that by spending a little money we can get something going there and derive big benefits, I say show me. I am not convinced. And, second if we are going to provide modest money for the transfer of technology to China, the bottom line question is what is in it for us?

What basically is the United States really going to reap in the long run? I just do not see very solid answers to that question by any experts in this country.

Senator HAYAKAWA. Dr. Myers, I would like to ask another question of you. You state in your testimony that China does not meet the conditions contained in section 620(f) of the Foreign Assistance Act. It is my understanding that the administration would not argue that all three of these conditions are met, but rather would have China exempted from having to meet those conditions because it has become a friendly nonaligned country.

Would you agree that China is a friendly, nonaligned country or do you still see China as an adversary of the United States?

Mr. MYERS. It is quite true that China is not an adversary at this time. It is friendly and it is not aligned. With that I am in full agreement. I will not say any more.

Senator HAYAKAWA. All right. May I turn to you now, Mr. Roger Sullivan? In your statement you mention that the proposed changes could result in long-term business opportunities for American firms. Later you mention feasibility studies in several fields, presumably seed money. This is a very important area that we must not overlook.

Could you be more explicit and give us concrete examples of how exactly this might work?

Mr. ROGER SULLIVAN. The most concrete example, I think, is what is going on right now. The Corps of Engineers has been working for some time looking into the possibilities for hydroelectric development in China under the Protocols that Dr. Sullivan referred to. American companies have been very anxious to get involved in what is going to be a major business opportunity.

China, as you may know, has a hydroelectric potential that would, if developed, be capable of running an economy the size of the U.S. economy solely on hydropower. The difficulty of getting involved in this as a private company is that the Chinese do not seem to see that they should pay for things like engineering studies and feasibility studies.

Now we could say that they ought to, but from their standpoint they see this as a cost of sale. They also find that other countries are perfectly willing to put up the costs for these things in order to help their companies sell products. In the Red River project, which is now being explored actively, the Chinese came up with, I think, a request for—I don't have the exact figures in front of me, but I think it was something like \$700,000 of feasibility studies for tunnels, for that long line that I told you about from the Red River to Guang Zhou and for the dams. The Canadian Government has already decided that there was enough benefit for Canadian companies in this so that they would pay for the feasibility study for the long line.

Other countries are looking into the possibility of funding these and the United States is not in a position now to do that. The engineering companies, which don't sell equipment, do not see that they can do this. Therefore, there is a real possibility that for the lack of very limited sums of money, we would not participate in that hydroelectric development program to the full extent that we might otherwise, with damage to our trade and loss of business and loss of jobs.

Senator HAYAKAWA. In your testimony, Dr. Myers, you state that China's rivals might react to U.S. assistance to China in ways that might seriously affect neighboring countries like Japan or the ASEAN nations. What do you envision here? Are they going to get mad?

Mr. MYERS. Is who going to get mad?

Senator HAYAKAWA. You say that U.S. assistance to China could seriously affect the neighboring countries such as Japan or the ASEAN nations.

Mr. MYERS. Well, I think that statement pertains to reactions by the Soviet Union of any economic alliance building up between the PRC and the United States. Any perceived alliance which the Soviet Union viewed as a threat might, as in the last few years, lead to the Soviet Union expanding its Pacific fleet and its further involvement in Vietnam.

Indochina has a festering conflict with the Chinese supporting the Khmer Rouge. Chinese involvement brings the Soviet Union into Vietnam on the other side.

As far as the Japan-Soviet issue is concerned, this has to be seen in terms of Soviet perception of the United States pressing Japan for military rearmament. Those pressures have been applied in the last few years and I think probably will continue to be.

Senator HAYAKAWA. I want to summarize what comes out of this testimony, so far as I am concerned. Mr. Sullivan, you allude to the possibility that the process of normalization might stop if these changes in section 620(f) are not enacted. This seems to me to be something of an exaggeration of the impact, but nevertheless, once it has been brought up by the administration that they want these changes and we refuse to make these changes, they can be at least offended quite seriously can they not?

Mr. ROGER SULLIVAN. Yes.

Senator HAYAKAWA. But as Dr. Myers points out, without making changes in section 620(f) we have been ignoring those clauses in section 620(f) in the case of Yugoslavia quite cheerfully for some time. Is that correct?

Mr. MYERS. I believe that was Dr. Sullivan.

Senator HAYAKAWA. Yes, that is right. I am sorry.

Mr. JOHN SULLIVAN. Yes, Mr. Chairman. We have been ignoring them from about the late 1950's or early 1960's.

Mr. ROGER SULLIVAN. I think the difference, if I may comment, is this. I have no objection to removing the prohibition on Yugoslavia, but I think the difference is the United States has embarked on a long-term program and made a number of commitments to China to complete the process of normalization. In the United States-China Trade Agreement of 1979 we said that we would agree "to adopt all appropriate measures to create the most favorable conditions for strengthening in all aspects economic and trade relations between the two countries."

I think we have, perhaps, in the case of Yugoslavia—though I do not know the history of that—not gone about the normalization of relations in the same systematic and step-by-step fashion as we have in the case of China.

Let me clarify something. When you said that I exaggerated, I did not mean to imply when I said that normalization would stop that diplomatic relations would end. Normalization is a word that has two connotations now. I was using it in the precise sense of the step-by-step process of removing obstacles—that that process would stop and not that our fundamental relationship would be seriously damaged.

That just is a statement of fact. We have been removing the obstacles. These are basically the last two. There is one other relating to the importation of furs and that question is already the subject of another bill. All I am saying is the process would stop at this point if the Congress decided that no, we are not going to remove these two obstacles. The process would end there.

My point was simply that the damage which would be done would be not just that we would be stopping, but that we would be telling the Chinese, after 10 years of saying that we were committed to a process of complete normalization, that we did not choose to complete it.

Senator HAYAKAWA. I cannot help feeling that it is unfortunate that the subject came up at all, that increasing friendly trade and cooperative relations between the People's Republic of China and the United States were developing anyway, and to bring up what essentially seems to me a symbolic matter on which to vote yes or no is simply to raise a controversy over something which we need not have raised a controversy about.

I do not know how you feel about it, but this is the way I feel about it having listened to your testimony and hearing the administration people this morning. Do you have a further comment, Mr. Myers?

Mr. MYERS. Well, I think we ought to be very careful in dealing with China. I do think that to make a lot of promises, as perhaps alluded to by my colleague here in the 1970's, if such promises were made—and I guess some were—was simply putting the cart before the horse. China looks like it is trying to reform and to modernize, but it is going to take an enormous amount of time to do so.

It is a country with a billion people. It is in a terrible political and economic state of affairs right now. The question is, is it really to America's vital security to put a lot of help and effort into Chinese modernization? I say go very slowly and be chary of the enormous risks involved. One does not know if the political leadership there will change in the next few years or not. One does not know if the whole polity and social system will remain unified in any way.

And if we are going to have a policy in Asia, we have to have a policy that is clear and strategically vital to our best interests, and that policy should not be based upon an Asian continental policy. It is just too risky.

I think our long-term vital security and economic interests would be best realized by cooperating with those Pacific Basin states that we know so well and that are as dynamically growing as the western OECD countries, in fact more so. Their growth momentum into the 1980's and 1990's is going to make that region one of the richest of the world. We need only go slowly in China-United States relations and nurse that relationship along where it needs to be, but be very careful with it.

Senator HAYAKAWA. Well, I think from what all of you gentlemen say, that neither Mr. Roger Sullivan or Dr. John Sullivan will really disagree with you that we must proceed cautiously and take each proposal for economic cooperation and trade and evaluate it carefully, step by step. You would agree on that, would you not?

Mr. MYERS. Yes; but what we do not agree on is the concrete issue at stake.

Senator HAYAKAWA. In your testimony, Mr. Sullivan, you imply that the intended audience, if these changes are enacted, are as much for the bureaucracy in Washington as it is for the government in Beijing. You seem to be saying that the overall effect of the enactment might go beyond just Public Law 480 and foreign assistance into other fields, technology transfer, for example. Is this true? If so, what are the problems in this area and what do you believe the approval of these changes will accomplish?

Mr. ROGER SULLIVAN. Yes; Mr. Chairman. What I was alluding to there was it has been my experience both in government and out that there is a belief in the bureaucracy, however unfounded it may be, that there is a difference of view between the executive branch and the Congress on China policy.

I was suggesting that the administration has made its position quite clear and that quotation I excerpted from the Federal Register of last December is to the effect that it is in our national interest to foster a strong, secure and friendly China capable of deterring potential aggressors and to participate in China's economic development for the benefit of China and the United States.

I was saying these anachronistic provisions of law, which treat China as a member of the Warsaw Pact, are inconsistent with that view, and I think it would be unfortunate and would have direct practical effects if the Congress were to act in a way that perpetuated what I hope is an erroneous view of the sense of Congress.

This comes up most particularly in the very difficult area of export control. Friends of mine in the Department of Defense make no secret of the fact that they believe they are operating under conflicting marching orders. They are told on the one hand that they are supposed to liberalize and on the other hand they worry that they will be called up before the Congress and asked to justify their actions. I think the time has come for the Congress to speak clearly on the issue of where it stands in United States-China relations.

Let me just add that I think we should make a distinction here between the question of aid to China, which may indeed be premature. As you quite rightly point out, I am not a great advocate of a major aid program to China, but the question of aid is one thing. The other question which seems to me should be a routine matter and should get a unanimous vote in the Congress is simply to remove these insulting and anachronistic provisions of the law that treat China as though it were a member of the Warsaw Pact.

This is not the United States view and rather than saying that we should not have addressed this or that it is premature, I think we should agree it is long overdue.

Senator HAYAKAWA. Thank you very much, Mr. Sullivan, and I am grateful to you. Dr. Sullivan and Dr. Myers. I am grateful to all of you for your very, very thoughtful testimony. I do not know exactly what to report to the full committee when the time comes to report it, but we will study the transcript very carefully and will try to whet it down. We are very grateful to you.

This meeting is adjourned.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED
FOR THE RECORD

Question 1. If you had to cut funding levels in Asia for fiscal reasons, where would you suggest the cuts be made?

Answer. We believe the requested levels represent the minimum essential to accomplish our foreign policy goals in East Asia. The funding levels proposed are the result of a rigorous review process in which we tried to balance the need for fiscal austerity with the strategic realities of increasing Soviet pressures against our increasingly resource constrained friends and allies.

The only significant increases proposed for East Asian countries are for the two front-line states: Korea and Thailand. Failure to approve the requested levels for either of these two treaty allies increases the risk of our becoming involved in a much more costly armed conflict later.

It is essential to maintain the requested levels for the Philippines since these levels are tied to the Military Bases Agreement. The remaining East Asian programs make politically significant contributions to the U.S. defense posture in the region as well as enhancing the defense capabilities of our key friends in the region.

Question 2. As is apparently true worldwide, the increases in economic assistance are far smaller than the increases in military assistance. Are the military threats in the region perceived as being more serious than the economic needs of the region? Does the Administration lean toward military assistance as an instrument of our foreign policy rather than economic assistance?

Answer. Both military and economic assistance are regarded as important instruments of foreign policy. In this year's foreign assistance proposal, military and economic development assistance programs are integrated components of a single strategic package. Both components are tied directly to U.S. strategic interests in the Pacific and Indian Oceans. The allocation to the region reflects in part the economic maturity of the region. The mix between military and development assistance will vary among countries since the proportion is tailored to the circumstances of a particular country. For example, Indonesia, which has significant economic needs and is not faced with an immediate military threat as is Korea and Thailand, receives more economic than military assistance. By contrast, only military assistance is proposed for Korea which has a relatively sound economy, but faces an immediate military threat and heavy defense procurement requirements.

The only significant increases proposed for East Asian countries were in military assistance and reflect immediate military threats to our treaty partners Korea and Thailand of such urgency that we have also proposed supplemental funds for fiscal year 1982.

Korea must cope with a dangerous, persisting military imbalance on the Korean peninsula. Armed conflict on the Korean peninsula would jeopardize the security and prosperity of the United States. The proposed increase in the Korean program is designed to deter such conflict by addressing the unacceptable military asymmetry between the ROK and North Korea.

Similarly, the proposed increase in military assistance for Thailand is designed to help Thailand cope with an increased military threat from recently improved Vietnamese military forces in Kampuchea.

The increases proposed in military assistance for Korea and Thailand recognize that regional peace and stability are prerequisites for economic development. Development problems are an important concern to be addressed not only by economic development assistance but by other programs with perhaps a less direct but also significant effect.

Question 3. What is your assessment of future foreign aid programs in China? We realize there are no current plans for bilateral foreign aid programs in China, but what are the possibilities for a substantial program by the end of the decade if United States-China relations remain on an even keel?

Answer. Our proposal to amend the Foreign Assistance Act is designed only to treat China as we treat other countries by making them eligible for assistance. We have no plans to establish a bilateral program. Therefore, we have not even addressed the issue of what kind of assistance we might be prepared to offer China at the end of the decade.

INDONESIAN FOREIGN ASSISTANCE—ASEAN

Question 4. The Congressional Presentation Document reflects that our assistance program in Indonesia is related to our support of the Association of South-

east Asian Nations (ASEAN) of which Indonesia is a member. About 5 to 6 years ago there was a concerted effort by our Government to avoid linking military assistance to an ASEAN context. Does this change reflect a change in ASEAN's orientation or outlook or does it remain primarily an economic or political grouping?

Answer. ASEAN remains an economic and political organization; it has explicitly avoided any connotation that it is a military or security arrangement. Certainly we neither advocate nor expect it to become one. There is, however, increasing bilateral military cooperation among the members, including a number of bilateral military exercises. Similarly, the U.S. provides security assistance to all five ASEAN countries on a strictly bilateral basis; we do not provide security assistance to ASEAN as a group. We believe that this bilateral assistance nonetheless strengthens the capabilities of each of the member nations of ASEAN to deal with threats to regional peace and security and thus enhance the effectiveness of the organization as a whole in dealing with the political, economic and diplomatic problems posed by such threats.

Question 5. The Administration has requested that development assistance to Burma be increased from \$7.5 million to \$12.5 million, that international narcotics control funding be reduced from \$6 million to \$5 million and that the IMET program be increased from \$150,000 to \$200,000. Could you discuss the rationale behind these changes?

Answer. Our relations with Burma have been slowly warming and expanding over the last 4 years, a process which has become much more evident since 1980, with the reopening of U.S. development assistance and military training programs with Burma. We believe it very much in our interest to encourage this trend, and therefore have proposed these increases in our development and military training programs. Considering Burma's economic potential and the success of recent Burmese efforts to improve economic performance, an increase in our development assistance is also justified in purely economic terms, by Burma's prospective long-term position contribution to the economic prosperity of the region as a whole.

The apparent decrease in U.S. narcotics assistance from fiscal year 1982 to fiscal year 1983 results from an addition to our fiscal year 1982 budget proposal to provide for the replacement in fiscal year 1982 of one of five fixed-wing aircraft previously furnished to the Burmese under our International Narcotics Control Program. Disregarding this one-time requirement, our INC funding request for Burma has increased from \$4.6 million to \$5 million.

Question 6. To what extent does Burma accept aid from the East as well as the West? Have we noticed any increased rivalry for the attention of Burma as seen in assistance levels?

Answer. We believe the Soviet Union continues to offer assistance to Burma, and have learned of several specific offers over the past several years, none of which have been accepted. Burma has indicated to us that they prefer to accept aid from the West rather than from the Soviet Union, if at all possible in terms of their assistance requirements. Thus East/West rivalry continues as a fairly intensive level, even though this rivalry is not reflected in agreed assistance levels.

Question 7. How cooperative is the Burmese Government in interdicting heroin traffic from the "Golden Triangle"? Why is the size of the U.S. narcotics control program in Burma being reduced?

Answer. As noted above, our INC program in Burma is not being reduced, but expanded slightly, discounting the fiscal year 1982 one-time requirement for aircraft replacement. The Burmese Government is making the best effort possible, a continual effort, to stop "Golden Triangle" narcotics trafficking. An element which may increase the effectiveness of those efforts is the current Thai Government campaign against Chang Chi-fu, which has increased the immediate prospect for some coordination of effort between Rangoon and Bangkok along their common border.

INDONESIA FOREIGN ASSISTANCE—EAST TIMOR

Question 8. Will any of the \$144.9 million requested for Indonesia be used either directly or indirectly to support Indonesia's continued illegal occupation of East Timor?

Answer. The United States has accepted the fact of incorporation of East Timor into Indonesia, as have our Pacific friends and allies including Japan, Australia, New Zealand, and the ASEAN countries. A major objective of U.S. policy with regard to East Timor is the welfare of the Timorese people.

This objective has been taken into account in formulating our foreign assistance program for Indonesia over the past several years. The United States contributed over \$14 million in cash and commodities to an international food and medical relief program conducted in East Timor from 1979-81 by the International Committee of the Red Cross (ICRC) and Catholic Relief Services (CRS). This relief effort resulted in a significant improvement of the food and medical situation in East Timor, so that by April 1981 the international agencies phased out emergency relief and have proposed that their activities be shifted to long-term development. The U.S. Government has already contributed to this development by funding a 3-year (fiscal year 1980-82) \$3.6 million malaria control project in Timor as well as funding small scale irrigation projects under USAID's rural works program.

In fiscal year 1983, \$2.5 million will be used to finance an ongoing rural development program in East Timor administered by CRS. This program is designed to improve agricultural productivity in selected river basin areas in East Timor and is an important element in maintaining a stable long-term food situation on the island.

Our overall development assistance program for Indonesia in fiscal year 1983 focuses on technical assistance and institution building activities which attempt to demonstrate the viability of new approaches to development problems at the village level. The success of these projects will help Indonesia better implement their development strategy in all rural areas of the country, including East Timor.

We do not foresee that FMS credits will have a direct or significant bearing on the East Timor situation. A significant portion of the credits will be used for naval modernization, primarily the overhaul of two U.S. origin destroyer escorts and the purchase of MK-46 torpedoes. Purchases of additional fighter aircraft and/or air defense systems is a less likely, but possible, use of the credits. This equipment would be used for air and sea defense. This would not affect East Timor since the security problem there is a low-level guerrilla insurgency, composed of no more than a few hundred armed men operating in isolated areas of the island's interior.

In addition, fiscal year 1983 credits will also be used to make the final \$5 million payment on the purchase of 133 105mm howitzers by Indonesia. Notification of the sale of these howitzers was provided to Congress in August 1981. The Indonesians may also use FMS credits to purchase C-130 aircraft which could be used to transport military personnel anywhere in Indonesia.

Question 9. You indicate that some assistance to China might allow Chinese participation in some multilateral activities such as the International Rice Research Center in the Philippines. Does Taiwan now participate in such activities, and would Chinese participation end Taiwanese involvement?

Answer. Taiwan authorities do not participate formally in the activities of the International Rice Research Institute (IRRI) in the Philippines. There may be participation by individuals from Taiwan.

The involvement of Chinese citizens in IRRI programs would have no impact on participation by people from Taiwan.

Question 10. Much of the ESF funds for the Philippines are handled through a ministry run by Ms. Marcos. Can we be sure that the funds are all reaching their intended recipients and not the Philippine elite?

Answer. We do not believe this to be a problem. The ESF program in the Philippines is coordinated through the Management Advisory Committee which represents most government ministries and agencies. The Ministry of Human Settlements, of which Mrs. Marcos is minister, provides the operating arm of this committee. In accordance with standard AID disbursement procedures, ESF dollar transfers are made to the Philippine Treasury and not to the Ministry of Human Settlements. The Ministry of Budget then provides the Ministry of Human Settlements with a peso allotment for an amount equivalent to the dollar transfer. ESF funds are provided only for mutually agreed development assistance activities which serve basic human needs. In each case final disbursement is dependent on AID being satisfied that implementation of these development assistance activities is progressing according to agreement.

THAILAND: ECONOMIC PROBLEMS

Question 11. Could you review for us the serious economic problems which have faced the Thai in recent years and which have inhibited their ability to

move ahead with force modernization as rapidly as they feel necessary? Please give special attention to the impact of high oil prices, the costs of assisting hundreds of thousands of displaced persons from Cambodia, Laos, and Vietnam who are residing within Thai borders, and the serious debt servicing problems facing the country.

Answer. Thailand has experienced steadily widening trade and payments since 1975, caused by increased energy costs and lower prices for exports of rice, rubber and sugar. The total foreign debt rose by more than \$1.5 billion in 1981 alone. Foreign debt was estimated at \$7.5 billion as of the end of 1981, a sharp rise from the negligible levels in 1973. About 40 percent of this debt consists of Royal Thai Government obligations and the balance is private.

However, international contributions have paid most of the costs generated by the influx of about one million refugees from Indochina since 1975. Thus Thailand's available resources for its force modernization program have been reduced by its foreign debt problems, although not by refugee needs. The high cost of foreign capital is probably the most severe problem, including the high interest rates associated with the FMS guaranteed credits.

AID's RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

PUBLIC LAW 480 PROGRAMS—CHINA

Question 1. How were Public Law 480 expenditures made in fiscal year 1981 and fiscal year 1982 given the prohibition in the legislation? If you are able to provide Public Law 480 for such purposes as multilateral disaster relief without a change in the law, why should we change the law? Do you have other kinds of Public Law 480 programs in mind for China?

Answer. There is no statutory provision specifically prohibiting Public Law 480 programs in China. The statutory impediment is that generally Public Law 480 programs with foreign countries can be conducted only with countries that are determined to be friendly as defined in Public Law 480. The legislative history of the definition of a friendly country as set forth in Public Law 480 indicates that China was intended to be a country that was not considered friendly because of its participation in a "world communist movement." The earlier expenditures of Public Law 480 Title II in fiscal year 1981 and fiscal year 1982 for China were made as commitments through multilateral organizations (e.g. WFP and UNICEF) in response to emergency feeding requirements in China.

When Title II commodities are provided through intergovernmental and multilateral organizations, such as WFP and UNICEF, to needy people in a country to meet famine or other extraordinary relief requirements, it is not required under section 202 of Public Law 480 to determine whether the government of country in which the people are located is friendly. The Administration does not envision a bilateral Public Law 480 program with China at this time. As part of the overall review of China policy last spring the President decided to initiate a review of legislation that lumped China with the Soviet bloc and required discriminatory treatment against China no longer consistent with our present strategic relationship. Following a thorough interagency review, express prohibition against foreign assistance and an apparent ban on Public Law 480 programs for China, were identified as discriminatory toward that country.

U.S. policy should reflect the fact that we view China as a friendly non-allied power with which we share important security interest.

POPULATION PROGRAM IN INDONESIA

Question 2. Indonesia has one of the largest populations in the world, and countries in the region, including Indonesia have shown considerable success in reducing population growth rates in the last few years. Your plans indicate a two-thirds cut in the population program in Indonesia for fiscal year 1983. Why are you reducing the program so drastically?

Answer. The two-thirds cut in the family planning programs primarily results from the fact that the A.I.D. loan for oral contraceptives initiated in fiscal year 1978, will receive its last increment in fiscal year 1982. From fiscal year 1983 onward, Indonesia will finance its own procurement of oral contraceptives. The financial responsibility for these purchases will be made by the National Finan-

cial Coordinating Board. This will complete the transition of U.S. funding of a major cost item in the project to the Government of Indonesia.

For fiscal year 1983 AID proposes to continue to support the expansion of village and urban family planning services under the new Family Planning Development Services II project thru the provision of funds for training, research and American technical advisors to continue to expand the effective work of the Indonesian family planning program.

BUREAU OF PRIVATE ENTERPRISE STUDY MISSIONS—INDONESIA AND THAILAND

Question 3. The new Bureau for Private Enterprise has sponsored study missions to Indonesia and Thailand. When are you likely to release reports on these missions? Do you expect any concrete results from them?

Answer. We have completed reports from our reconnaissance teams to both Indonesia and Thailand. They contain confidential proprietary information, but we would be happy to make summaries of the reports available to the Committee members.

As a result of the reconnaissance team visits to Indonesia and Thailand, numerous opportunities were identified which might be appropriate for AID financing participation through the Bureau for Private Enterprise (PRE). We have already sent small follow-up teams to both countries to analyze in more detail these specific initial opportunities. For example, one agro-industrial specialist went to Indonesia to review several potential agribusiness projects. We are awaiting his return in early May to determine whether or not these opportunities should be developed into an investment proposal. We are also exploring the possibility of participating in the financing of an indigenous venture capital firm specializing in taking equity and debt positions in small- medium-sized enterprises, including agribusiness.

Two agrobusiness specialists are presently in Thailand. We expect some investment proposal to result from this trip. We are presently discussing, with a private sector commercial bank, the providing of a credit line to be matched by the bank which would allow the bank to on-lend to agribusiness activities.

In both countries, we will be supporting management training activities targeted at specific disciplines. The reconnaissance teams identified critical needs in management capability in both Indonesia and Thailand. We are also anticipating some requests for advisory services on investment policy and capital market development in Indonesia.

[Whereupon, at 2:50 p.m., the committee adjourned subject to call of the Chair.]

APPENDIX

PREPARED STATEMENT OF THE INTERRELIGIOUS TASKFORCE ON U.S. FOOD POLICY SECURITY ASSISTANCE IN DEVELOPMENT PERSPECTIVE

The Interreligious Taskforce on U.S. Food Policy is a coalition of over two dozen national Protestant, Roman Catholic, Jewish, and ecumenical agencies whose representatives work together to secure justice for the world's poor and hungry people. A major goal of the Taskforce is to promote U.S. assistance policies and programs which will alleviate poverty and improve the lives of the poorest people in developing countries.

Since 1975 the Taskforce has testified regularly before the Senate Foreign Relations Committee on the President's foreign aid requests. Our testimony has focused on the development and humanitarian assistance portions of the requests since those types of assistance, we have felt, affect most directly the lives of the poor in developing countries. Increasingly, however, we have been drawn to look at the broader foreign aid package. We have found it necessary to analyze the role of security assistance in developing countries and to make some judgments about the proper balance between the two major types of aid—development assistance and security assistance (including both Economic Support Fund and military aid). In this statement we direct our attention in greater detail to some of the issues raised by the Administration's security assistance request for fiscal year 1983.

We were critical in our testimony last year of the Reagan Administration's proposed shift of funds for fiscal year 1982 away from development and toward security assistance. We therefore find it disturbing that, as if last year's discussions had never occurred, the Administration in its fiscal year 1983 request proposes an even further and more massive shift of funds toward security assistance, particularly military assistance. An 18 percent over-all increase in foreign aid is requested, but when disaggregated into development aid (bilateral, multilateral, and Public Law 480) and security assistance, the increase is about 5.5 percent in development assistance, contrasted with 35.2 percent in security assistance. Adoption of the Administration's proposals without change would mean a shift of about 12 percent, or more than one-eighth of the total aid program, from development aid to security assistance during the two-year period fiscal year 1981-83. The shift would be even greater had Congress not acted to trim the Administration's security assistance request for fiscal year 1982. Our chart provides additional details. (See chart on p. 3.)

In our statement we raise a number of questions about the Administration's request, especially with regard to arms sales, and about the potential impact of increased security assistance, both military and ESF, on development. We also suggest several legislative initiatives to correct some of the imbalances in the Administration's proposal and to make the request more supportable to traditional proponents of development aid. Without a revamping of the foreign aid request along these lines, we would not support its enactment.

Long-term National Interests vs. Immediate Needs

1. By stressing security assistance and downplaying the role of development assistance, the Administration may be sacrificing longer-term national interests to more immediate needs. Security assistance, both ESF and military aid, is designed to deal with immediate problems, while development aid seeks longer-term solutions. The difficult issues is to determine the appropriate balance and relationship between the two.

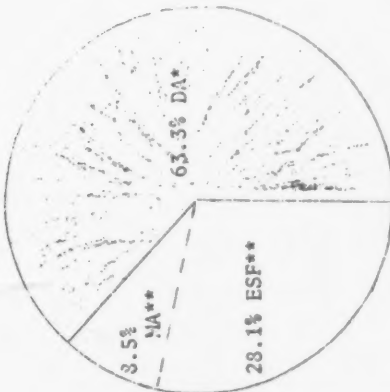
A number of recent analyses (for example, Global 2000, the Brandt and Presidential Hunger Commissions) have suggested that the most serious causes of

instability in the world today are not the short-term economic problems or external threats which security assistance addresses, but rather the persistent structural problems of hunger, poverty, and maldistribution of resources. Two vivid examples of failures to deal with these underlying causes of instability are the Khomeini revolution in Iran and the continuing civil war in El Salvador. Unquestionably, the revolution in Iran was above all an expression of deep and widespread internal anger at the failure of the government under the Shah to respect human rights and take needed steps to redress basic inequities and to meet human needs. Similarly, while external interference may be contributing to the turmoil in Central America, all analyses of the conflict in El Salvador, including that of our own government, acknowledge the crucial role of poverty and injustice in leading to and prolonging the conflict there. Sharply increased amounts of U.S. security assistance appear to be proving no more effective in promoting stability in El Salvador than in preserving stability in Iran.

We urge the Committee, keeping firmly in mind longer-term development needs and not simply short-term security considerations, to recast the Administration's fiscal year 1983 request accordingly. We make specific suggestions along this line later.

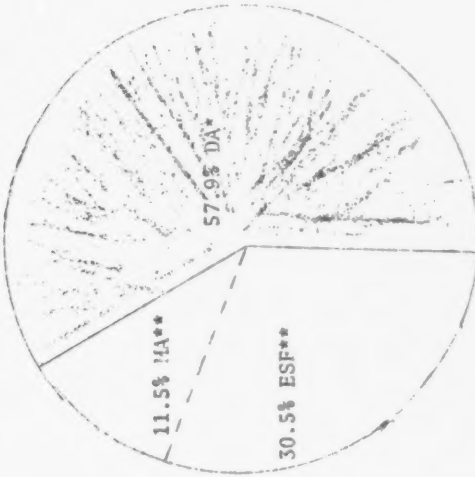
FOREIGN ASSISTANCE BUDGET OVERVIEW

FY 1981



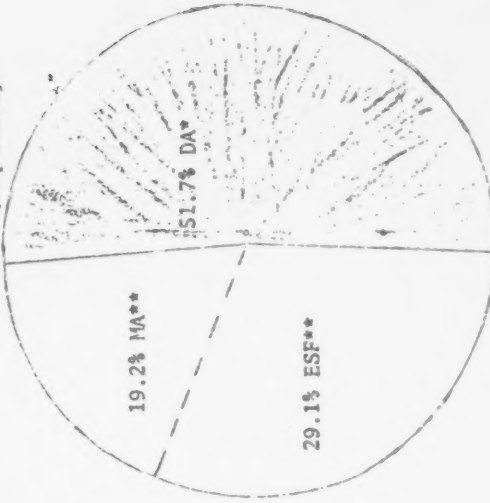
Total: \$7,481.9=100%
(\$ in billions)

FY 1982



\$8,405.0=100%

FY 1983 (requested)



\$9,917.2=100%

* Development Assistance (DA): PL 480, multilateral economic assistance through the multilateral development banks and international organizations and programs (but excluding the US contribution to the International Monetary Fund), AID's development assistance accounts, American Schools and Hospitals Abroad, disaster and refugee assistance, the Sahel development program, AID operating expenses, the Inter-American Foundation, the Peace Corps, and the State Department's refugee and migration accounts. (shaded)

** Security Assistance: Broken down into two components--Economic Support Fund (ESF) and Military Assistance (MA). Military Assistance includes Foreign Military Credit Sales, International Military Education and Training, and Military Assistance Program. (unshaded)

2. The Administration's requested increase in military assistance is disturbing both because of the size of the increase and of what this increase reflects regarding the Administration's arms sales policy. The Administration would more than double FMS credits, from \$750 million for fiscal year 1982 to \$1.7 billion for fiscal year 1983 and would increase off-budget authority of FMS loans from \$3 billion to \$3.9 billion.

The Administration's request for a billion-dollar increase in authority for arms sales credits and another \$900 million increase in loan guarantees comes at a time when arms transfers are accelerating at an unprecedented rate. During fiscal year 1982 worldwide arms sales are likely to reach a total of about \$20 billion, more than double the total of the previous year. While we are not suggesting that proposed U.S. increases in FMS would be the sole, or even the major cause of a further upward spiral, they are certainly an important contributing factor. Conversely, greater restraint in the availability of military aid could help prevent such rapid escalation of arms transfers.

We would not favor treating off-budget authority with any less rigor than actual on-budget expenditures. While reducing the aggregate total of on-budget expenditures, as was done last year, relieves U.S. budgetary pressures, even off-budget figures increase Third World access to military hardware. From a developmental standpoint the real issue is not where credits fit into the U.S. budget but whether off-budget and on-budget expenditures alike may increase Third World access to military hardware and thus contribute to the militarization of those countries.

We are also disturbed by the shift in arms sales policy expressed in the Reagan Administration's arms transfer policy directive of July 8, 1981. While the policy of restraint announced by the Carter Administration did not effectively hold down arms sales, its general approach was sound: that arms transfers were a necessary evil, to be used only in "exceptional" instances where it could be clearly demonstrated that the transfer would contribute to U.S. national security interests. In contrast, the Reagan directive sees arms sales as almost a positive good in their own right. The transfer of conventional arms and other defense articles and services is viewed as "an essential element of [U.S.] global defense posture and an indispensable component of [U.S.] foreign policy."

This new approach is also in sharp contrast to the restrained language in the Arms Export Control Act:

"It is the sense of the Congress that the President maintain adherence to a policy of restraint in conventional arms transfers and that, in implementing this policy worldwide, a balanced approach should be taken and full regard given to the security interests of the United States in all regions of the world and that particular attention should be paid to controlling the flow of conventional arms to the nations of the developing world."

The Reagan policy directive also sidesteps other safeguard provisions in the Act, including:

- Taking into consideration the impact of arms sales on social and economic development and on existing or incipient arms races;

- Limiting sales to internal security and self-defense needs and for purposes of participating in regional and international collective arrangements;

- Discouraging sales of sophisticated weapons; and

- Withholding sales or guarantees from military dictators who deny human rights or social progress.

Moreover, the Reagan Administration policy directive added an arms sales objective—"to enhance U.S. defense production capabilities and efficiency"—which a study prepared by Congressional Research Service for a House Subcommittee last fall found apparently inconsistent with the guidelines of the Arms Export Control Act. This seems to us a serious breach of the Act, which sought to restrain runaway escalation of arms sales fueled by domestic economic pressures. This change together with removal of restrictions on embassy personnel to permit them to assist U.S. businesses seeking to promote arms sales, seems to indicate that the intent of the new Reagan policy is actually to promote sales.

The Arms Export Control Act also urges the President to exercise leadership in initiating multilateral discussions among arms suppliers and purchasers for the purpose of reaching agreements on control of the international trade in conventional arms. While the Reagan policy directive expresses "a genuine interest in arms transfer restraint," there have been no indications thus far that the Administration intends to exert its leadership to promote arms restraint discussions. Rather, the Administration appears to believe that market forces provide

sufficient restraints. Under Secretary of State Buckley told this Committee that "the enormous cost of modern weapons and the state of the world economy provide their own restraints on the capacity and appetite of would-be purchasers." We do not see this happening. Moreover, the market forces that Under Secretary Buckley referred to are interfered with and economic restraints weakened when military assistance is offered to developing countries allowing them to purchase military hardware at reduced rates or on a grant basis. Their appetite for arms, especially for the more expensive and sophisticated military equipment, might well be curbed if there were no such assistance. The current surge of interest in purchasing arms among Middle Eastern countries offers ample evidence of what happens, however, when word gets around that arms may be available at reduced rate. The Administration's policy if carried out, could accelerate the already alarming militarization of the Third World.

The figures for over-all arms transfers, commercial and concessional, indicate the importance of the role of the U.S. Statistics show that during the 1970s four countries accounted for a full 87.5 percent of the value of all major weapon transfers to developing countries. The supplied countries were the United States (45 percent), the Soviet Union (27.5 percent), France (10 percent), and the United Kingdom (5 percent). These figures suggest that a U.S. bilateral initiative to exercise restraint could itself be significant.

We urge the Committee to explore thoroughly all possible inconsistencies between the Administration's arms sales policy and the provisions of the Arms Export Control Act. We also urge you to renew the call for U.S. leadership in exercising restraint in arms sales and in actively promoting multilateral discussions to establish controls on the international trade in arms.

Military aid: the negative side of the coin

In addition to expressing our concern about proposed levels and the Reagan Administration's announced policy changes in military assistance, we also wish to take issue with the Administration's assessment of the effects of increased military assistance on developing countries and regions. We recognize that developing countries have legitimate security needs and that U.S. military assistance may, under certain circumstances, serve those needs. However, we believe the Administration has both exaggerated the likely positive effects of military aid and ignored potential negative effects. We would like to address four issues in particular: regional stability, the impact of military spending on development, the linkage between military spending and debt, and military assistance to repressive governments.

1. Military assistance, particularly to countries in regions of tension or potential conflict, may increase tensions.—Equipping potential belligerents may escalate rather than deter conflict. Fully 95 percent of the 125 conflicts since World War II have taken place in the developing world. Countries in regions particularly volatile such as the Middle East, the Horn of Africa, the Mekong Basin, and Central America have been major recipients over the past two decades of U.S. military assistance. While military assistance may not have actually caused increased violence, it has not been a consistently effective deterrent nor has it measurably increased the security of those countries. The evidence seems to point to an inverse relationship between the arms build-ups in the Third World and regional peace and security.

Given the historical association of regional arms build-ups and localized conflicts, the current competition among countries in the Middle East for increasingly sophisticated and larger stocks of military equipment should be a serious cause for congressional concern. The Foreign Affairs Minister of Oman was quoted in early April as saying that his country "would like to find out whether the United States is in a position to consider giving Oman some funds similar to what it is giving to other friendly countries in the Middle East." He mentioned \$200-\$250 million in grant aid in addition to \$1 billion for improvements in its military facilities in exchange for base rights. This expectation mirrors the already high levels of U.S. military assistance to the Middle East, particularly to Egypt and Israel. Congressman Lee Hamilton expressed this concern very forcefully in a New York Times article on March 28, 1982:

"The high levels of assistance to Egypt and Israel are used as leverage by Spain, Greece, and Turkey when we negotiate military base agreements. There is also the danger that other countries exaggerate their security concerns because they see the United States placing such a high priority on aid to two countries that have been at war and that maintain a military footing."

In other regions also United States military assistance appears to have stimulated arms competition, in some instances increasing superpower tendencies to arm actual or potential friends. The situations are so complex that it is often difficult to tell which superpower is the initiator and which is the respondent. Increased United States military assistance to El Salvador has been accomplished by a rapidly stepped-up defense build-up in Nicaragua. A U.S. security assistance package to Pakistan has led to renewed discussions of defense needs by India. Thus the circles of involvement widen and the risks of war deepen.

While neither attacking the concept of deterrence per se nor minimizing the role of other arms exporters, we challenge the Administration's conclusion that increased U.S. security assistance will improve regional stability. There is ample evidence to suggest just the opposite: that increased U.S. military assistance may result in heightened competition for arms among the countries in a region and thereby increase instability. The fiscal year 1983 foreign aid request should be scrutinized closely with this danger in mind.

2. *By encouraging an enhanced military capacity in developing countries, military assistance promotes increased domestic spending for defense and diverts scarce resources from economic development there.*—It is sometimes argued that military assistance has no adverse impact on Third World development and that such aid may even free up domestic resources for economic development purposes. While this may possibly be true in the short run, evidence suggests that in the longer run sustaining higher levels of military preparedness encouraged by military aid preempts resources otherwise available for development.

A recent econometric study on the relationship between defense spending and economic growth in 69 countries undertaken for the U.N. found that while military spending does not necessarily lead to lower levels of economic growth in developed countries, higher defense spending resulted in slower economic growth in all 54 developing countries studied. The decline in growth amounted to several hundredths of a percentage point for each percentage point increase in the defense expenditures. This is a significant loss for a poor country, one of a magnitude which could undercut its efforts to achieve a stable rate of economic growth.

More important still were the development implications of the study's findings concerning the structural impact of defense spending. Certain benefits may accrue to the civilian population from military expenditures. Newly-built infrastructure, roads and airports are of general benefit, and literacy training or skills can make military trainees more productive when they return to civilian life. Yet even these benefits may be unevenly spread across the population and may themselves contribute to inequality within a country.

Even more seriously, defense spending was found to result in a shift of resources from the agricultural sector to manufacturing, especially heavy industry, to support the larger military establishment. Since the majority of the people in most developing countries are engaged in agriculture, such a shift is likely to lead to a drop in food production and may also result in a worsening income distribution between rural and urban areas. The econometric studies found that each extra dollar spent by developing countries on defense reduced agricultural output by 20 cents. The results of diverting resources from efforts to achieve greater self-reliance in food can be profoundly destabilizing, and, in terms of human suffering of the poor and hungry majority, tragic.

Military spending has also been found to crowd out productive investment in other sectors producing consumer goods and services. Military expenditures tend to be inflationary by competing for resources that are usually scarce in developing countries—skilled labor, foreign exchange, physical capital—but not producing needed civilian goods and services. In short, arms spending, and the military assistance which facilitates it, can have strong detrimental effects on the evolution of developing country economies. Far from promoting security, arms spending is having profoundly unsettling effects on Third World societies.

We encourage the Committee to require the Administration, in its consideration of arms sales to developing countries, to give greater and more thoughtful attention to "the impact of the sale on programs of social and economic development." Regular reporting to Congress on this issue would be desirable.

3. *By encouraging higher levels of arms imports by developing countries, military assistance may add to their debt burden.*—The escalating debt burden of developing countries, particularly of the non-oil exporting (non-OPEC) countries, has become an issue of serious international concern. According to estimates of

the Organization for Economic Cooperation and Development (OECD), non-OPEC developing country debt increased more than five-fold, from \$87 billion in 1971 to \$456 billion in 1980, and will reach about \$524 billion in 1981. While the causes of the increase are many, including higher oil prices, there is evidence that arms imports have contributed.

According to Ruth Leger Sivard's "World Military and Social Expenditures 1981," arms imports of the non-OPEC developing countries also rose significantly during this period, from \$3.4 billion in 1970 to \$10.9 billion in 1979, amounting to total purchases for the period of about \$64 billion. While we have been unable to learn what portion of the total debt of developing countries is related to past military assistance, a recent survey on international banking in *The Economist* (March 20, 1982) estimates that military debt is about 10 percent of the total. Based on the OECD estimate of developing country debt, this would amount to about \$52.4 billion as of the end of 1981.

Loans to finance arms imports carry a special burden for, unlike borrowing for productive investment, they do not add to capital formation or increased export capacity. Beyond that, the debt servicing costs alone on \$52.4 billion are sizable enough to preempt funds otherwise available for productive uses.

Borrowing to finance immediate military expenditures may also lock a country into a situation in which ongoing maintenance causes the debt to mushroom. The Brandt Commission report observes that "as massive arms imports require adequate infrastructure, absorb skilled labor and additional foreign exchange for maintenance imports, this all increases debt burden." It is hardly coincidental that Egypt, Israel, South Korea, Spain, and Turkey, which together are to receive 72 percent of U.S. FMS credits in FY 83, are among the 13 largest borrowers of international capital. Commenting on the Egyptian economy in recent testimony before the Middle East Subcommittee, the Assistant Administrator for AID's Near East Bureau acknowledged: "The step-up in military purchases, from the United States and other supplier source, foreshadows a larger debt burden to be carried in the future by the economy."

The proper remedy for spiraling indebtedness, however, would not be increased concessionality in United States military aid transfers. Tougher terms could discourage developing country governments from seeking military assistance in excess of what they really need for defensive purposes, dissuading them from seeking to compete with other countries in a region or from buying arms simply because they are available "on the cheap." United States military assistance terms should be such that they both reduce the pressure on recipients to divert funds from economic development and also discourage continuing dependence on United States largesse to meet defense needs.

We urge the Committee to reject the Administration's request to furnish concessional credits at 3 percent interest rates to 19 countries facing difficult economic situations. We also urge you to reassess the desirability of granting FMS forgiveness in the case of Egypt, Israel, and the Sudan. We recommend the continued phasing out of the MAP program but at a faster pace than proposed by the Administration. (The fiscal year 1983 request is less than \$3 million below the amount appropriated for MAP in fiscal year 1981.)

4. Military assistance frequently reinforces the authority of the military in developing countries, with sometimes chilling implications for those involved in popularly-based efforts for political, social, and economic change.—Military domination of the political process has become increasingly entrenched throughout the Third World. Between 1960 and 1980, military forces in developing countries rose from 8.7 million to 15.1 million persons, over 60 percent of the global total. Fifty-four developing countries are ruled by military or martial law regimes, 41 of which have records of human rights violations.

During the past twenty years, the United States has supplied military-dominated regimes with \$27 billion worth of arms and has provided military training for over 300,000 persons from these countries. The weaponry and training supplied for defensive purposes by the United States through military assistance, military training, and arms sales is sometimes diverted to serve purposes of domestic security and internal repression.

Half of the 54 countries ruled by military regimes are very poor countries plagued by poverty, hunger, and disease. Yet, in the absence of strong and stable social institutions apart from the military, the potential for peaceful change is frequently frustrated. Clearly resorting to repression to preserve stability is not a means toward lasting solutions designed to meet human needs but rather a heavy-handed way to maintain the status quo and stifle grassroots participation

in the change process. United States military assistance and unrestrained arms sales to repressive regimes add fear and concern for personal safety to the list of poverty, hunger, disease, and other ills which already burden the world's poor.

The overlap between recipients of United States military assistance and countries with repressive governments over the years is thus anything but coincidental. Several policy changes adopted during the past year may reinforce this association—the repeal of restrictions on military aid to Argentina and Chile, the waiver of the ban on aid to Pakistan, and continuing escalation of military assistance to El Salvador, despite human rights conditions placed on such aid by Congress last year.

We have serious reservations about the Administration's requested amendment to the Foreign Assistance Act to authorize \$5 million for antiterrorism assistance. Acts such as seizing hostages or hijacking planes are clearly terrorist by almost anyone's definition. There is, however, a danger that in some situations the distinction between "terrorist" and legitimate agents of social change will be blurred by governments seeking to stifle internal challenges. Thus, at a minimum, strict legislative groundrules would be needed to guard against abuse. A related safeguard would be to limit such aid to training and not include hardware. Because of the potential abuse of such aid against domestic citizens, acceptable human rights records should be an essential precondition.

We urge Congress to reaffirm its expectation that governments meet legislatively mandated human rights criteria in order to be eligible for U.S. military assistance and to resist Administration attempts to weaken or repeal human rights safeguards. We also recommend careful review of the proposed antiterrorist amendment, with particular attention to the additional legislative safeguards needed to protect against abuse.

Economic support fund is not a substitute for development aid

We would also like to say a few words about the other component of security assistance, the Economic Support Fund.

While there may be important geopolitical reasons for extending some economic aid to U.S. strategic and political allies, we are disturbed that the Reagan Administration has increasingly chosen ESF as its preferred channel for economic aid. We believe that ESF should be viewed as the exceptional channel, to be used sparingly for short-term and limited purposes. It should not be seen as a substitute for, much less interchangeable with, development aid. Since as a form of economic assistance ESF is somewhat akin to development aid, it is important to be clear about why there are serious limitations to the effectiveness for development of ESF.

In his introduction to the 1980 annual OECD Review, Development Assistance Committee Chairman John Lewis identified several major limitations to the development utility of forms of economic aid such as ESF. He noted that because total official development assistance (ODA) is a limited resource, "the intrusion of other than developmental objectives radically distorts the allocation of aggregate ODA away from what would be optimal were the development community free to maximize aid's developmental pay-off more or less single-mindedly."

Applying Mr. Lewis' assessment to ESF, management of ESF resources is driven first and foremost by political and security objectives and only secondarily by development considerations. This produces several serious limitations on what ESF can be expected to accomplish of a developmental nature.

1. *The first limitation is that ESF is highly concentrated in a few countries, and they are not necessarily the neediest ones.*—A study of ESF by the Congressional Budget Office in 1980 found that in the early 1970s 75 to 85 percent of ESF allocations went to South Vietnam while by 1980 similar percentages were going to the Middle East (primarily Egypt and Israel). When U.S. security is perceived to be involved, it appears difficult to set limits to the scale of resources the United States is prepared to commit. Some of the poorest countries do receive ESF, but in small amounts and because they are strategically located rather than because they are poor. Country need carries very little weight in ESF allocations. By contrast, more than three-quarters of all development assistance goes to the neediest countries.

2. *The second limitation is that ESF is self-perpetuating as long as the perceived political and security need exists, inviting waste and encouraging dependency.*—ESF is generally continued regardless of economic need and at levels which are adjusted to U.S. political and security priorities rather than, in the

first instance, to either the absorptive capacity of the recipient or the ability of AID to manage the program. A 1981 GAO assessment of U.S. aid to Egyptian agriculture found that during the five years the program had been operating it had been largely unsuccessful in achieving its main goal: to increase Egyptian agricultural production. Major constraints were the lack of adequate agricultural extension service for small farmers and the failure of the Egyptian government to change a pricing system which favored consumers with low food prices at the expense of incentives to farmers to increase production. Even granted the importance of good relationships with the Egyptian government, GAO faulted AID for not insisting on improved extension services and changes in prices and subsidies needed for aid to be effective. However, the reluctance of the Egyptian government to take the tough political decision of raising food prices and cutting subsidies is understandable, particularly when large amounts of ESF—and of Public Law 480 food aid—were guaranteed regardless of performance on the development side.

3. The third limitation is that most ESF is designed to meet immediate needs and only a small proportion is targeted for longer-term development purposes.—The CBO study found in reviewing the world-wide ESF program for the years 1975-79 that approximately 30 percent of the total was project aid, to be used in specific development projects designed to meet congressional basic human needs criteria. The remaining 70 percent was either in the form of balance of payments support or commodity credits, neither of which is targeted assistance. Thus, while balance of payments support may provide a government treasury with much-needed foreign exchange, it may, unless special provisions are made, have little or no impact on the small farmer who needs credit or seeds for next year's crops. Likewise, commodity credits may be used for the purchase of industrial materiel or capital goods such as motor vehicles which may bring primary benefit to a small segment of the urban population without touching the lives of the poor, especially in rural areas. Project aid, or alternatively, sectoral grants or loans, conditional on human needs and other policy criteria, can be far more effective in promoting longer-term self-reliant development.

A case in point is the Administration's Caribbean Basin Initiative (CBI). Many of the countries in the region have long-term development needs which it seems unlikely the Administration's CBI will do much to meet, given the inherent limitations of the type of aid requested in the proposal. Therefore, in a statement on the CBI we are urging that a significant portion of the economic aid package be converted from ESF to development assistance in the form of sectoral grants and loans and that a five rather than one year commitment be made. We feel the growing trend to use ESF in place of development aid should be reversed.

While to some the distinctions that we have sought to make between Economic Support Fund aid and development assistance may seem academic, to us and to some others in the development community they are fundamental. It is noteworthy that in its request for International Affairs (Function 150) this year the Administration placed ESF in the subfunction called "International Security Assistance" rather than in the companion subfunction called "International Development Assistance." This is a clearer statement of the point we are making than the approach of previous years, which was to group ESF and development assistance together under economic assistance. We urge this Committee to preserve this distinction in its future charts and other materials presenting foreign assistance issues.

As you review the Administration's ESF request for fiscal years 1983 and 1984, we urge you to consider whether some countries now receiving ESF aid might not be better served by development aid instead. ESF should be considered short-term aid, with countries receiving it regularly reviewed at the end of a short-term period to determine whether long-term need warrants conversion to development aid.

Conclusion

In his comprehensive and informative articles in the Winter 1981/82 issue of *Foreign Affairs*, Andrew Pierre describes the "central role" which arms sales now have come to play in American diplomacy, in part because of "the reduction of other instruments of diplomacy, such as development aid." This statement confirms that development assistance is being crowded out these days by security aid.

Given the fact that "the greater prominence of arms sales today has not been matched by new insights as to their utility," we urge this Committee to carefully review the effects of security assistance on the development prospects of poorer nations.

For starters, we would urge the Congress this year to authorize no increases in security assistance above fiscal year 1982 levels pending the kind of detailed scrutiny we have described. (We, for our part, would support substantial reductions below the fiscal year 1982 level of military assistance.) Beyond that, the Committee could assure that the Administration's security assistance makes a direct contribution to Third World development by applying some of the increases in security assistance it rejects to development programs such as those of AID, the United Nations agencies, and the multilateral development banks. We would be happy to provide more detailed suggestions if the idea seems to be worth pursuing.

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